



STAFF REPORT

DATE: DECEMBER 20, 2011
TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: ROD FOSTER, CITY MANAGER/GENERAL MANAGER
PREPARED BY: AMER JAKHER, PUBLIC WORKS & UTILITY SERVICES DIRECTOR
SUBJECT: AMENDMENT TO RENEWABLE PORTFOLIO STANDARD

A handwritten signature in blue ink, likely of Rod Foster, the City Manager.

RECOMMENDED ACTION

It is recommended that the City Council approve Resolution No. R-103-11, repealing Resolutions R-79-10, R-33-07, and R-102-03, and revising the Electric Utility's Renewable Portfolio Standard in compliance with Senate Bill X1-2 (SBX1-2)

GOAL STATEMENT

The proposed action will support the City's goal to comply with State law and encourage the use of renewable energy.

BACKGROUND

On October 7, 2003, the City Council adopted Resolution No. R-102-03, establishing the City's Renewable Portfolio Standard (RPS) policy, in order to comply with Senate Bill 1078 (SB1078). SB1078 provided specific guidelines to investor owned utilities (IOUs) in developing and implementing their RPS, and ordered municipal electric utilities to devise local standards in light of the legislation's public policy goals. The City's RPS required the City of Colton Electric Utility (CEU) to increase procurement of electricity from eligible renewable sources until a target portfolio level of 15% is reached by December 31, 2017. This is measured by the amount of energy procured in making retail sales of electricity.

On February 27, 2007, the City Council amended the RPS, to comply with Senate Bill 107, by adopting Resolution No. R-33-07. The amended RPS increased the target level for procurement of renewable energy to 20% by December 31, 2010. The RPS was amended for the second time on December 21, 2010, with the adoption of Resolution No. R-79-10. This amendment was adopted in compliance with the Governor's Executive Order S-14-08, requiring the RPS target be increased to 33% renewable energy by December 31, 2020.

ISSUES/ANALYSIS

On April 12, 2011 Senate Bill X1-2 (SBX1-2) was signed into law as the California Renewable Energy Resources Act. SBX1-2 amends California Public Utilities Code Section 399 and establishes new renewable energy procurement, reporting, and enforcement rules for publicly

owned electric utilities (POUs). These new rules require the governing boards of POUs to set compliance periods and procurement targets. Compliance periods are as follows:

PERIOD	DATES	TARGET
Compliance Period One	January 1, 2011 through December 31, 2013	20%
Compliance Period Two	January 1, 2014 through December 31, 2016	25%
Compliance Period Three	January 1, 2017 through December 31, 2020	33%
Annually each year starting with 2021		33%

The rules also require the City Council to direct the Electric Utility Director to assign all RPS eligible resources procured by the Colton Electric Utility to the appropriate procurement category. This also allows the City to count all resources that meet the conditions of PUC Section 399.16(d) in full towards meeting the procurement requirements for CEU. The City Council may adopt measures permitting CEU to delay timely compliance with the Colton Renewable Energy Resources Procurement Plan (RERPP) consistent with the requirements of PUC Section 399.15(b)(5). This will also permit the CEU to accumulate excess procurement in one compliance period to be applied to any subsequent compliance period as allowed for retail seller pursuant to PUC Section 399.13(a)(4)(B). The City Council may also establish a limitation on the procurement expenditures for all RPS eligible resources used to comply with the CEU RERPP.

Currently, the City of Colton is at approximately 6% renewable. Through the establishment of a business plan, and other planning measures, staff will provide options for meeting the mandates. In order to present the entire RPS program in one resolution, the draft resolution repeals the three previous resolutions that originally established the RPS program and subsequently amended it.

FISCAL IMPACTS

Renewable energy has historically been more expensive than energy from conventional resources. Meeting the requirements set by SBX1 2 may increase the cost of providing power to our customers. However, through various SCPPA projects, and projects by other proposers, CEU is working to keep these costs as low as possible. Additional power supply costs will be addressed each year in the CEU's annual cost of service study and rate review.

ALTERNATIVES

1. City Council may provide alternate direction to staff.

ATTACHMENTS

1. Resolution No. R-103-11
2. Resolution No. R-79-10
3. Resolution No. R-33-07
4. Resolution No. R-102-03
5. SBX1 2

ATTACHMENT 1

Resolution No. R-103-11

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RESOLUTION NO. R-103-11

**A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF COLTON REPEALING RESOLUTION NOS. R-
33-07, R-79-10 AND R-102-03 AND ESTABLISHING A
RENEWABLE PORTFOLIO STANDARD IN
COMPLIANCE WITH SENATE BILL SBX 1-2.**

WHEREAS, the City of Colton (the City) desires to encourage the use of renewable energy resources; and

WHEREAS, of the total amount of energy provided to the City's electric utility customers only 6% is currently received by the City from renewable energy resources; and

WHEREAS, to increase the amount of energy from renewable energy resources, the State of California adopted Senate Bill SBX1-2, requiring local publicly owned utilities to establish a Renewable Energy Procurement Plan (REPP) or to amend any existing Renewable Portfolio Standard (RPS) to include procurement and compliance plans; and

WHEREAS, on October 7, 2003, the City Council adopted Resolution No. R-102-03 which established the RPS Policy for the City in compliance with Section 387 and set a target portfolio level of 15% energy from renewable resources by December 31, 2017; and

WHEREAS, on February 27, 2007, the City Council adopted Resolution No. R-33-07, which established the RPS policy for the City in compliance with Senate Bill 107, and set a target portfolio level of 20% energy from renewable energy resources by December 31, 2010; and

WHEREAS, On December 21, 2010, the City Council adopted Resolution No. R-79-10 which established the RPS policy for the City in compliance with Governor Arnold Schwarzenegger's Executive Order No. S-14-08; and

WHEREAS, the City desires to repeal Resolution No. R-102-03, Resolution No. R-33-07, and Resolution No. R-79-10 and amend its Renewable Portfolio Standard policy to comply with the SBX1-2, and the State's goals of encouraging renewable energy utilization and obtaining the greatest benefit for the environment and economy of California

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COLTON
DOES HEREBY RESOLVE AS FOLLOWS:**

1 **SECTION 1:** The adoption of the standards in this Resolution reflects the City of
2 Colton Electric Utility's commitment to renewable resource procurement consistent with the
3 provisions of SBX1-2 and other applicable law, and is intended to supersede previous
4 resolutions dealing with renewable resource procurement. Accordingly, the City Council
5 hereby repeals Resolution No. R-102-03, Resolution No. R-33-07, and Resolution No. R-79-
10, provided that no actions taken by the City to comply with such resolutions shall be deemed
to be invalidated by this repeal.

6 **SECTION 2:** The City of Colton Electric Utility will establish the following
7 compliance periods and target levels for the procurement of electricity, pursuant to PUC
8 §399.30(b) and PUC §399.30(c)(1)-(2), from eligible renewable resources, measured by the
amount of energy procured in making retail sales of electricity:

9 Compliance Period One: January 1, 2011 through December 31, 2013.

10 Target 20%

11 Compliance Period Two: January 1, 2014 through December 31, 2016.

12 Target 25%

13 Compliance Period Three: January 1, 2017 through December 31, 2020.

14 Target 33%

15 Annually: Each calendar year starting with 2021. Target 33%.

16 **SECTION 3:** The Electric Utility General Manager shall assign all RPS-eligible
17 resources procured by the Colton Electric Utility to their appropriate procurement content
18 category in accordance with the provisions of PUC §399.16. The Electric Utility General
19 Manager may count all resources that meet the conditions of PUC §399.16(d) in full towards
20 meeting the procurement requirements.

21 Electricity produced from the following technologies constitute eligible resources:
22 biomass, solar thermal, photovoltaic, wind, geothermal, fuel cells using renewable fuels,
23 hydroelectric generation, digester gas, municipal solid waste, landfill gas, ocean wave, ocean
24 thermal, tidal current, renewable components of system sales from other parties, or renewable
distributed generation on the customer side of the meter. Facilities can be located anywhere in
the interconnected transmission system located in the west.

25 **SECTION 4:** In order to fulfill unmet long-term generation resource needs, Colton
26 Electric Utility shall procure a minimum quantity of electricity products from eligible
27 renewable resources., including renewable energy credits, as a specified percentage of total
28 kilowatt hours sold to retail end-use customers for each compliance period and target level
specified in Section 2, and in compliance with Section 8.

29 **SECTION 5:** Colton Electric Utility may delay timely compliance with the RERPP
pursuant to PUC §399.30(c)(2), consistent with the requirements of PUC §399.15(b)(5).

30 **SECTION 6:** The above-market costs of renewable energy for the Colton Electric
Utility may be subsidized by supplemental payments from the funds generated by the public

benefits charge that Colton Electric Utility adds as a surcharge to retail bills pursuant to the provisions of AB 1890.

SECTION 7: Colton Electric Utility is authorized to purchase the environmental attributes or RECs from a renewable resource, without purchasing the associated energy, to comply with this RPS. Also, Colton Electric Utility is authorized to accumulate, beginning January 1, 2011, excess procurement in one compliance period to be applied to any subsequent compliance period provided that the quantity of excess procurement is determined in the same manner as allowed for retail sellers pursuant to PUC §399.13(a)(4)(B).

SECTION 8: The appropriate reasonable prices to be paid for renewable resources shall include the cost of associated transmission to deliver the energy to Colton Electric Utility's service territory. The addition of eligible renewable resources shall not increase system wide rates by more than 2%.

Costs for procurement of in-state renewable energy resources shall not be excessive in comparison to the costs of comparable renewable energy resources located outside California. Determination of what constitutes excessive costs for in-state renewable energy resources will initially be made on a case-by-case basis. The City Council may limit procurement expenditures for all RPS-eligible resources used to comply with the RERPP in compliance with PUC §399.15(c)(1)-(3) and PUC §399.15(d).

SECTION 9: The Colton Electric Utility shall provide data annually to the Energy Commission and to its electric utility customers in accordance with PUC §399.30(g), as follows:

Expenditures of public goods funds for development of renewable energy resources;

The mix of resources used to serve the Utility's customers, by energy source; and

Status and progress in the procurement of renewable resources toward meeting the time periods and targets in Section 2.

PASSED, APPROVED AND ADOPTED this 20th day of December 2011.

SARAH S. ZAMORA
Mayor

ATTEST:

EILEEN C. GOMEZ, CMC
City Clerk

ATTACHMENT 2

Resolution No. R-79-10

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RESOLUTION NO. R-79-10

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLTON
AMENDING RESOLUTION NO. R-33-07 TO ESTABLISH A RENEWABLE
PORTFOLIO STANDARD IN COMPLIANCE WITH GOVERNOR'S EXECUTIVE
ORDER S-14-08**

WHEREAS, the City of Colton (the "City") desires to encourage the use of renewable energy resources; and

WHEREAS, of the total amount of energy provided to the City's electric utility customers, only five percent (5%) is currently received by the City from renewable energy resources; and

WHEREAS, to increase the amount of energy from renewable energy resources, the State of California requires local publicly owned electric utilities to establish a Renewable Portfolio Standards ("RPS") Policy, in compliance with California Public Utilities Code section 387; and

WHEREAS, on October 7, 2003, the City Council adopted Resolution No. R-102-03 which established the RPS Policy for the City in compliance with Section 387 and set a target portfolio level of 15% energy from renewable energy resources by December 31, 2017; and

WHEREAS, on February 27, 2007, the City Council adopted Resolution No. R-33-07, which established the RPS policy for the City in compliance with Senate Bill 107 and set a target portfolio level of 20% energy from renewable energy resources by December 31, 2010; and

WHEREAS, Governor Arnold Schwarzenegger signed Executive Order No. S-14-08 establishing a new RPS goal of 33% energy from renewable energy resources by December 31, 2020 for the California Utilities; and

WHEREAS, the City desires to amend its RPS Policy by establishing a new target RPS which is in compliance with Governor's Executive Order S-14-08; and

BE IT NOW THEREFORE RESOLVED AS FOLLOWS:

SECTION 1. The City Council hereby amends Section 2 of Resolution No. R-33-07 to comply with the Governor's Executive Order S-14-08 as follows:

SECTION 2. The City of Colton Electric Utility will increase procurement of electricity from eligible renewable resources until a target portfolio level of 33% is reached by December 31, 2020, measured by the amount of energy procured in making retail sales of electricity.

SECTION 3. The City Clerk shall certify to the adoption of this Resolution.

SECTION 4. This Resolution shall become effective immediately upon its adoption.

PASSED, APPROVED AND ADOPTED THIS 21st Day of December, 2010.

/S/

DAVID R. ZAMORA
Mayor

ATTEST:

/s/

EILEEN C. GOMEZ, CMC
City Clerk

ATTACHMENT 3

Resolution No. R-33-07

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RESOLUTION NO. R-33-07

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
COLTON AMENDING RESOLUTION NO. R-102-03 TO
ESTABLISH A RENEWABLES PORTFOLIO STANDARD IN
COMPLIANCE WITH SENATE BILL 107**

WHEREAS, the City of Colton (the "City") desires to encourage the use of renewable energy resources; and

WHEREAS, of the total amount of energy provided to the City's electric utility customers, only four percent (4%) is currently received by the City from renewable energy resources; and

WHEREAS, to increase the amount of energy from renewable energy resources, the State of California requires local publicly owned electric utilities to establish a Renewables Portfolio Standards ("RPS") Policy, in compliance with California Public Utilities Code section 387; and

WHEREAS, on October 7, 2003, the City Council adopted Resolution No. R-102-03 which established the RPS Policy for the City in compliance with Section 387 and set a target portfolio level of 15 percent energy from renewable energy resources by December 31, 2017; and

WHEREAS, Senate Bill 107, which became effective on January 1, 2007, amends Public Utilities Code section 387 to declare the legislative goal of a target RPS of 20 percent energy from renewable energy resources by December 31, 2010; and

WHEREAS, the City desires to amend its RPS Policy by establishing a new target RPS which recognizes and supports the State's goals of encouraging renewable energy resources and obtaining the greatest benefit possible for the environment.

BE IT NOW THEREFORE RESOLVED AS FOLLOWS:

SECTION 1. The City Council hereby amends Section 2 of Resolution No. R-102-03 to comply with Senate Bill 107 as follows:

"SECTION 2. The City of Colton Electric Utility will increase procurement of electricity from eligible renewable resources until a target portfolio level of 20 percent is reached by December 31, 2010, measured by the amount of energy procured in making retail sales of electricity."

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SECTION 2. The City Clerk shall certify to the adoption of this Resolution.

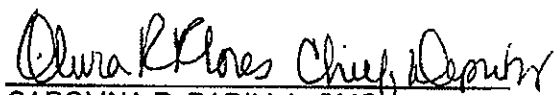
SECTION 3. This Resolution shall become effective immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 6th day of March, 2007.



KELLY J. CHASTAIN
Mayor

ATTEST:



CAROLINA R. PADILLA, CMC
City Clerk

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STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO) ss
CITY OF COLTON)

I, **CAROLINA R. PADILLA**, City Clerk for the City of Colton, California, **DO HEREBY CERTIFY** that the foregoing is a full, true and correct copy of **Resolution No. R-33-07**, duly adopted by the City Council of said City, and approved by the Mayor of said City, at its Meeting of said City Council held on the **6th day of March, 2007**, and that it was adopted as follows:

AYES:	COUNCILMEMBER	Toro, Oliva, Mitchell, Suchil, and Mayor Chastain
NOES:	COUNCILMEMBER	None
ABSTAIN:	COUNCILMEMBER	None
ABSENT:	COUNCILMEMBER	DeLaRosa

Date: _____

CAROLINA R. PADILLA, CMC
City Clerk
City of Colton

(SEAL)

ATTACHMENT 4

Resolution No. R-102-03

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RESOLUTION NO. R-102-03

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLTON, CALIFORNIA
ADOPTING THE CITY'S RENEWABLE PORTFOLIO STANDARD**

WHEREAS: The State of California requires the City to establish a Renewable Energy Portfolio Policy; and

WHEREAS: The City Council wishes to encourage the use of Renewable Energy sources;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COLTON DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. This standard represents the City of Colton Electric Utility's commitment to renewable resource procurement consistent with the provisions of SB 1078.

SECTION 2. The City of Colton Electric Utility will increase procurement of electricity from eligible renewable resources until a target portfolio level of 15% is reached by December 31, 2017, measured by the amount of energy procured in making retail sales of electricity.

SECTION 3. Electricity produced from the following technologies constitute eligible resources: biomass, solar thermal, photovoltaic, wind, geothermal, fuel cells using renewable fuels, hydroelectric generation, digester gas, municipal solid waste, landfill gas, ocean wave, ocean thermal, tidal current, renewable components of system sales from other parties, or renewable distributed generation on the customer side of the meter. Facilities can be located anywhere in the interconnected transmission system located in the west.

SECTION 4. Renewable resources will be procured to the extent they fulfill unmet needs identified in Colton Electric Utility's long-term resource procurement plan and Colton Electric Utility will not terminate, abrogate, or otherwise end any existing long-term contract in order to meet the renewable target portion of its energy portfolio.

SECTION 5. The appropriate reasonable prices to be paid for renewable resources will be consistent with the price benchmarks set by the CPUC for the IOUs and shall include the cost of associated transmission to deliver the energy to Colton Electric Utility's service territory.

SECTION 6. The renewable energy procurement obligation is contingent upon Colton Electric Utility having sufficient funds available to make supplemental energy payments to subsidize the above-market costs of renewable energy. The subsidy will come from up to 50% of the funds generated by the public benefits charge that Colton Electric

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2 Utility adds as a surcharge to retail bills pursuant to the provisions of AB 1890.
3 The availability of sufficient public benefits charge funds is a de factor limiter on the
4 annual renewable purchase obligation and compliance with this standard is deemed
5 achieved where noncompliance is caused by the unavailability of public benefit funds.

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7 **SECTION 7.** Colton Electric Utility is authorized to purchase the
8 environmental attributes or green tickets from a renewable resource, without
9 purchasing the associated energy, to comply with this RPS. Also, catching-up for
10 procurement shortfalls and banking excess procurements for credit in the future over
11 as many as three years will be allowed.

12 **SECTION 8.** The addition of renewable energy resources shall not increase
13 system wide rates by more than 2%.

14 **PASSED, APPROVED AND ADOPTED** this 7th day of October, 2003.

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17 DEIRDRE H. BENNETT
18 Mayor

19 ATTEST:

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22 CAROLINA BARRERA
23 City Clerk
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1 **STATE OF CALIFORNIA)**
2 **COUNTY OF SAN BERNARDINO) ss.**
3 **CITY OF COLTON)**

4 I, **CAROLINA P. BARRERA**, City Clerk for the City of Colton, California, **DO**
5 **HEREBY CERTIFY** that the foregoing is a full, true and correct copy of Resolution
6 No **R-102-03**, duly adopted by the City Council of said City, and approved by the
7 Mayor of said City, at a Regular Meeting of said City Council held on the **7th day of**
8 **Ocotber, 2003**, and that it was adopted as follows:

9 AYES:	COUNCILMEMBER	Hernandez, DeLaRosa, Chastain, Ramos, 10 Mitchell, Zamora and Mayor Bennett
11 NOES:	COUNCILMEMBER	None
12 ABSTAIN:	COUNCILMEMBER	None
13 ABSENT:	COUNCILMEMBER	None

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15 Date: _____

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17 **(SEAL)**

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21 **CAROLINA P. BARRERA**
22 City Clerk
23 City of Colton
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ATTACHMENT 5

SB X 1 2

BILL NUMBER: SBX1 2 CHAPTERED

FILED WITH SECRETARY OF STATE: APRIL 12, 2011

APPROVED BY GOVERNOR: APRIL 12, 2011

SECTION 1. This act shall be known, and may be cited, as the California Renewable Energy Resources Act.

SEC. 2. Section 705 is added to the Fish and Game Code, to read:
705.

- (a) For purposes of this section, "eligible renewable energy resources" has the same meaning as in the California Renewables Portfolio Standard Program (Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code).
- (b) The department shall establish an internal division with the primary purpose of performing comprehensive planning and environmental compliance services with priority given to projects involving the building of eligible renewable energy resources.
- (c) The internal division shall ensure the timely completion of plans pursuant to the Natural Community Conservation Planning Act (Chapter 10 (commencing with Section 2800) of Division 3).

SEC. 3. Section 25519.5 is added to the Public Resources Code, to read:
25519.5.

- (a) If the site and related facilities specified in the application are proposed to be located within 1,000 feet of a military installation, or lie within special use airspace or beneath a low-level flight path, as defined in Section 21098, the applicant shall inform the United States Department of Defense of the proposed project and that an application will be filed with the commission.
- (b) If provided by the United States Department of Defense, the applicant shall include within the application a description of its consultation with the department, with regard to potential impacts upon national security, including potential impacts on the land, sea, and airspace identified by the United States Department of Defense and its impacted service components, for conducting operations and training, or for the research, development, testing, and evaluation of weapons, sensors, and tactics. If the information is provided after the application is filed, the applicant shall forward the information upon receipt.

SEC. 4. Section 25740 of the Public Resources Code is amended to read:

25740. It is the intent of the Legislature in establishing this program, to increase the amount of electricity generated from eligible renewable energy resources per year, so that it equals at least 33 percent of total retail sales of electricity in California per year by December 31, 2020.

SEC. 5. Section 25740.5 of the Public Resources Code is amended to read:

25740.5.

- (a) The commission shall optimize public investment and ensure that the most cost-effective and efficient investments in renewable energy resources are vigorously pursued.
- (b) The commission's long-term goal shall be a fully competitive and self-sustaining supply of electricity generated from renewable sources.
- (c) The program objective shall be to increase, in the near term, the quantity of California's electricity generated by renewable electrical generation facilities located in this state, while protecting system reliability, fostering resource diversity, and obtaining the greatest environmental benefits for California residents.
- (d) An additional objective of the program shall be to identify and support emerging renewable technologies in distributed generation applications that have the greatest near-term commercial promise and that merit targeted assistance.
- (e) The Legislature recommends allocations among all of the following:
 - (1) Rebates, buydowns, or equivalent incentives for emerging renewable technologies.
 - (2) Customer education.
 - (3) Production incentives for reducing fuel costs, that are confirmed to the satisfaction of the commission, at solid fuel biomass energy facilities in order to provide demonstrable environmental and public benefits, including improved air quality.
 - (4) Solar thermal generating resources that enhance the environmental value or reliability of the electrical system and that require financial assistance to remain economically viable, as determined by the commission. The commission may require financial disclosure from applicants for purposes of this paragraph.
 - (5) Specified fuel cell technologies, if the commission makes all of the following findings:
 - (A) The specified technologies have similar or better air pollutant characteristics than renewable technologies in the report made pursuant to Section 25748.
 - (B) The specified technologies require financial assistance to become commercially viable by reference to wholesale generation prices.
 - (C) The specified technologies could contribute significantly to the infrastructure development or other innovation required to meet the long-term objective of a self-sustaining, competitive supply of electricity generated from renewable sources.
 - (6) Existing wind-generating resources, if the commission finds that the existing wind-generating resources are a cost-effective source of reliable energy and environmental benefits compared with other renewable electrical generation facilities located in this state, and that the existing wind-generating resources require financial assistance to remain economically viable. The commission may require financial disclosure from applicants for the purposes of this paragraph.

- (f) Notwithstanding any other law, moneys collected for renewable energy pursuant to Article 15 (commencing with Section 399) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code shall be transferred to the Renewable Resource Trust Fund. Moneys collected between January 1, 2007, and January 1, 2012, shall be used for the purposes specified in this chapter.

SEC. 6. Section 25741 of the Public Resources Code is amended to read:

25741. As used in this chapter, the following terms have the following meaning:

- (a) "Renewable electrical generation facility" means a facility that meets all of the following criteria:
- (1) The facility uses biomass, solar thermal, photovoltaic, wind, geothermal, fuel cells using renewable fuels, small hydroelectric generation of 30 megawatts or less, digester gas, municipal solid waste conversion, landfill gas, ocean wave, ocean thermal, or tidal current, and any additions or enhancements to the facility using that technology.
 - (2) The facility satisfies one of the following requirements:
 - (A) The facility is located in the state or near the border of the state with the first point of connection to the transmission network of a balancing authority area primarily located within the state. For purposes of this subparagraph, "balancing authority area" has the same meaning as defined in Section 399.12 of the Public Utilities Code.
 - (B) The facility has its first point of interconnection to the transmission network outside the state, within the Western Electricity Coordinating Council (WECC) service area, and satisfies all of the following requirements:
 - (i) It commences initial commercial operation after January 1, 2005.
 - (ii) It will not cause or contribute to any violation of a California environmental quality standard or requirement.
 - (iii) It participates in the accounting system to verify compliance with the renewables portfolio standard once established by the commission pursuant to subdivision (b) of Section 399.25 of the Public Utilities Code.
 - (C) The facility meets the requirements of clauses (ii) and (iii) in subparagraph (B), but does not meet the requirements of clause (i) of subparagraph (B) because it commenced initial operation prior to January 1, 2005, if the facility satisfies either of the following requirements:
 - (i) The electricity is from incremental generation resulting from expansion or repowering of the facility.
 - (ii) Electricity generated by the facility was procured by a retail seller or local publicly owned electric utility as of January 1, 2010.

- (3) If the facility is outside the United States, it is developed and operated in a manner that is as protective of the environment as a similar facility located in the state.
- (b) "Municipal solid waste conversion," as used in subdivision(a), means a technology that uses a noncombustion thermal process to convert solid waste to a clean-burning fuel for the purpose of generating electricity, and that meets all of the following criteria:
 - (1) The technology does not use air or oxygen in the conversion process, except ambient air to maintain temperature control.
 - (2) The technology produces no discharges of air contaminants or emissions, including greenhouse gases as defined in Section 38505 of the Health and Safety Code.
 - (3) The technology produces no discharges to surface or groundwaters of the state.
 - (4) The technology produces no hazardous wastes.
 - (5) To the maximum extent feasible, the technology removes all recyclable materials and marketable green waste compostable materials from the solid waste stream prior to the conversion process and the owner or operator of the facility certifies that those materials will be recycled or composted.
 - (6) The facility at which the technology is used is in compliance with all applicable laws, regulations, and ordinances.
 - (7) The technology meets any other conditions established by the commission.
 - (8) The facility certifies that any local agency sending solid waste to the facility diverted at least 30 percent of all solid waste it collects through solid waste reduction, recycling, and composting. For purposes of this paragraph, "local agency" means any city, county, or special district, or subdivision thereof, which is authorized to provide solid waste handling services.
- (c) "Renewable energy public goods charge" means that portion of the nonbypassable system benefits charge required to be collected to fund renewable energy pursuant to the Reliable Electric Service Investments Act (Article 15 (commencing with Section 399) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code).
- (d) "Report" means the report entitled "Investing in Renewable Electricity Generation in California" (June 2001, Publication Number P500-00-022) submitted to the Governor and the Legislature by the commission.
- (e) "Retail seller" means a "retail seller" as defined in Section 399.12 of the Public Utilities Code.

SEC. 7. Section 25741.5 is added to the Public Resources Code, to read:
25741.5.

- (a) By June 30, 2011, after providing public notice and an opportunity for public comment, including holding at least one public workshop, and following consultation with interested governmental entities, the commission shall study and provide a report to the Legislature that analyzes run-of-river hydroelectric generating facilities in British Columbia, including whether these facilities are, or should be, included as renewable electrical generation facilities pursuant to Section 25741 or

eligible renewable energy resources pursuant to Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code.

- (b) By completing the study and making recommendations, the commission shall consider the effect that inclusion would have upon all of the following:
 - (1) Emissions of carbon dioxide and other greenhouse gases.
 - (2) Emissions of air pollutants.
 - (3) Water quality, recreation, and fisheries.
 - (4) Any other environmental impact caused by run-of-river hydroelectric generating facilities.
- (c) The report submitted pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.
- (d) Pursuant to Section 10231.5 of the Government Code, this section is repealed on January 1, 2015.

SEC. 8. Section 25742 of the Public Resources Code is amended to read:
25742.

- (a) Twenty percent of the funds collected pursuant to the renewable energy public goods charge shall be used for programs that are designed to achieve fully competitive and self-sustaining existing renewable electrical generation facilities located in this state, and to secure for the state the environmental, economic, and reliability benefits that continued operation of those facilities will provide during the 2007-2011 investment cycle. Eligibility for production incentives under this section shall be limited to those technologies found eligible for funds by the commission pursuant to paragraphs (3), (4), and (6) of subdivision (e) of Section 25740.5.
- (b) Any funds used to support renewable electrical generation facilities located in this state pursuant to this section shall be expended in accordance with the provisions of this chapter.
- (c) Facilities that are eligible to receive funding pursuant to this section shall be registered in accordance with criteria developed by the commission and those facilities shall not receive payments for any electricity produced that has any of the following characteristics:
 - (1) Is sold at monthly average rates equal to, or greater than, the applicable target price, as determined by the commission.
 - (2) Is used onsite.
- (d)
 - (1) Existing facilities located in this state generating electricity from biomass energy shall be eligible for funding and otherwise considered a renewable electrical generation facility only if they report to the commission the types and quantities of biomass fuels used.
 - (2) The commission shall report the types and quantities of biomass fuels used by each facility to the Legislature in the reports prepared pursuant to Section 25748.
- (e) Each existing facility seeking an award pursuant to this section shall be evaluated by the commission to determine the amount of the funds being sought, the cumulative amount of funds the facility has received previously from the commission and other

state sources, the value of any past and current federal or state tax credits, the facility's contract price for energy and capacity, the prices received by similar facilities, the market value of the facility, and the likelihood that the award will make the facility competitive and self-sustaining within the 2007-2011 investment cycle. The commission shall use this evaluation to determine the value of an award to the public relative to other renewable energy investment alternatives. The commission shall compile its findings and report them to the Legislature in the reports prepared pursuant to Section 25748.

SEC. 9. Section 25746 of the Public Resources Code is amended to read:
25746.

- (a) One percent of the money collected pursuant to the renewable energy public goods charge shall be used in accordance with this chapter to promote renewable energy and disseminate information on renewable energy technologies, including emerging renewable technologies, and to help develop a consumer market for renewable energy and for small-scale emerging renewable energy technologies.
- (b) If the commission provides funding for a regional accounting system to verify compliance with the renewable portfolio standard by retail sellers, pursuant to subdivision (b) of Section 399.25 of the Public Utilities Code, the commission shall recover all costs from user fees.

SEC. 10. Section 25747 of the Public Resources Code is amended to read:
25747.

- (a) The commission shall adopt guidelines governing the funding programs authorized under this chapter, at a publicly noticed meeting offering all interested parties an opportunity to comment. Substantive changes to the guidelines shall not be adopted without at least 10 days' written notice to the public. The public notice of meetings required by this subdivision shall not be less than 30 days. Notwithstanding any other law, any guidelines adopted pursuant to this chapter or Section 399.25 of the Public Utilities Code, shall be exempt from the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The Legislature declares that the changes made to this subdivision by the act amending this section during the 2002 portion of the 2001-02 Regular Session are declaratory of, and not a change in existing law.
- (b) Funds to further the purposes of this chapter may be committed for multiple years.
- (c) Awards made pursuant to this chapter are grants, subject to appeal to the commission upon a showing that factors other than those described in the guidelines adopted by the commission were applied in making the awards and payments. Any actions taken by an applicant to apply for, or become or remain eligible and registered to receive, payments or awards, including satisfying conditions specified by the commission, shall not constitute the rendering of goods, services, or a direct benefit to the commission.
- (d) An award made pursuant to this chapter, the amount of the award, and the terms and conditions of the grant are public information.

SEC. 11. Section 25751 of the Public Resources Code is amended to read:

25751.

- (a) The Renewable Resource Trust Fund is hereby created in the State Treasury.
- (b) The following accounts are hereby established within the Renewable Resource Trust Fund:
 - (1) Existing Renewable Resources Account.
 - (2) Emerging Renewable Resources Account.
 - (3) Renewable Resources Consumer Education Account.
- (c) The money in the fund may be expended, only upon appropriation by the Legislature in the annual Budget Act, for the following purposes:
 - (1) The administration of this article by the state.
 - (2) The state's expenditures associated with the accounting system established by the commission pursuant to subdivision (b) of Section 399.25 of the Public Utilities Code.
- (d) That portion of revenues collected by electrical corporations for the benefit of in-state operation and development of existing and emerging renewable resource technologies, pursuant to Section 399.8 of the Public Utilities Code, shall be transmitted to the commission at least quarterly for deposit in the Renewable Resource Trust Fund pursuant to Section 25740.5. After setting aside in the fund money that may be needed for expenditures authorized by the annual Budget Act in accordance with subdivision (c), the Treasurer shall immediately deposit money received pursuant to this section into the accounts created pursuant to subdivision (b) in proportions designated by the commission for the current calendar year. Notwithstanding Section 13340 of the Government Code, the money in the fund and the accounts within the fund are hereby continuously appropriated to the commission without regard to fiscal years for the purposes enumerated in this chapter. (e) Upon notification by the commission, the Controller shall pay all awards of the money in the accounts created pursuant to subdivision (b) for purposes enumerated in this chapter. The eligibility of each award shall be determined solely by the commission based on the procedures it adopts under this chapter. Based on the eligibility of each award, the commission shall also establish the need for a multiyear commitment to any particular award and so advise the Department of Finance. Eligible awards submitted by the commission to the Controller shall be accompanied by information specifying the account from which payment should be made and the amount of each payment; a summary description of how payment of the award furthers the purposes enumerated in this chapter; and an accounting of future costs associated with any award or group of awards known to the commission to represent a portion of a multiyear funding commitment.
- (f) The commission may transfer funds between accounts for cashflow purposes, provided that the balance due each account is restored and the transfer does not adversely affect any of the accounts.
- (g) The Department of Finance shall conduct an independent audit of the Renewable Resource Trust Fund and its related accounts annually, and provide an audit report to the Legislature not later than March 1 of each year for which this article is operative. The Department of Finance's report shall include information regarding revenues,

payment of awards, reserves held for future commitments, unencumbered cash balances, and other matters that the Director of Finance determines may be of importance to the Legislature.

SEC. 12. Section 387 of the Public Utilities Code is repealed.

SEC. 13. Section 399.11 of the Public Utilities Code is amended to read:

399.11. The Legislature finds and declares all of the following:

- (a) In order to attain a target of generating 20 percent of total retail sales of electricity in California from eligible renewable energy resources by December 31, 2013, and 33 percent by December 31, 2020, it is the intent of the Legislature that the commission and the Energy Commission implement the California Renewables Portfolio Standard Program described in this article.
- (b) Achieving the renewables portfolio standard through the procurement of various electricity products from eligible renewable energy resources is intended to provide unique benefits to California, including all of the following, each of which independently justifies the program:
 - (1) Displacing fossil fuel consumption within the state.
 - (2) Adding new electrical generating facilities in the transmission network within the Western Electricity Coordinating Council service area.
 - (3) Reducing air pollution in the state.
 - (4) Meeting the state's climate change goals by reducing emissions of greenhouse gases associated with electrical generation.
 - (5) Promoting stable retail rates for electric service.
 - (6) Meeting the state's need for a diversified and balanced energy generation portfolio.
 - (7) Assistance with meeting the state's resource adequacy requirements.
 - (8) Contributing to the safe and reliable operation of the electrical grid, including providing predictable electrical supply, voltage support, lower line losses, and congestion relief.
 - (9) Implementing the state's transmission and land use planning activities related to development of eligible renewable energy resources.
- (c) The California Renewables Portfolio Standard Program is intended to complement the Renewable Energy Resources Program administered by the Energy Commission and established pursuant to Chapter 8.6 (commencing with Section 25740) of Division 15 of the Public Resources Code.
- (d) New and modified electric transmission facilities may be necessary to facilitate the state achieving its renewables portfolio standard targets.
- (e)
 - (1) Supplying electricity to California end-use customers that is generated by eligible renewable energy resources is necessary to improve California's air quality and public health, and the commission shall ensure rates are just and reasonable, and are not significantly affected by the procurement requirements of this article. This electricity may be generated anywhere in

the interconnected grid that includes many states, and areas of both Canada and Mexico.

- (2) This article requires generating resources located outside of California, but are able to supply that electricity to California end-use customers, to be treated identically to generating resources located within the state, without discrimination.
- (3) California electrical corporations have already executed, and the commission has approved, power purchase agreements with eligible renewable energy resources located outside of California that will supply electricity to California end-use customers. These resources will fully count toward meeting the renewables portfolio standard procurement requirements. In addition, there are nearly 7,000 megawatts of additional proposed renewable energy resources located outside of California that are awaiting interconnection approval from the Independent System Operator. All of these resources, if procured, will count as eligible renewable energy resources that satisfy the portfolio content requirements of paragraph (1) of subdivision (c) of Section 399.16.

SEC. 14. Section 399.12 of the Public Utilities Code is amended to read:

399.12. For purposes of this article, the following terms have the following meanings:

- (a) "Conduit hydroelectric facility" means a facility for the generation of electricity that uses only the hydroelectric potential of an existing pipe, ditch, flume, siphon, tunnel, canal, or other manmade conduit that is operated to distribute water for a beneficial use.
- (b) "Balancing authority" means the responsible entity that integrates resource plans ahead of time, maintains load-interchange generation balance within a balancing authority area, and supports interconnection frequency in real time.
- (c) "Balancing authority area" means the collection of generation, transmission, and loads within the metered boundaries of the area within which the balancing authority maintains the electrical load-resource balance.
- (d) "California balancing authority" is a balancing authority with control over a balancing authority area primarily located in this state and operating for retail sellers and local publicly owned electric utilities subject to the requirements of this article and includes the Independent System Operator (ISO) and a local publicly owned electric utility operating a transmission grid that is not under the operational control of the ISO. A California balancing authority is responsible for the operation of the transmission grid within its metered boundaries which may not be limited by the political boundaries of the State of California.
- (e) "Eligible renewable energy resource" means an electrical generating facility that meets the definition of a "renewable electrical generation facility" in Section 25741 of the Public Resources Code, subject to the following:
 - (1)
 - (A) An existing small hydroelectric generation facility of 30 megawatts or less shall be eligible only if a retail seller or local publicly owned electric utility procured the electricity from the facility as of

December 31, 2005. A small hydroelectric generation unit with a nameplate capacity not exceeding 40 megawatts that is operated as part of a water supply or conveyance system is an eligible renewable energy resource if the retail seller or local publicly owned electric utility procured the electricity from the facility as of December 31, 2005. A new hydroelectric facility that commences generation of electricity after December 31, 2005, is not an eligible renewable energy resource if it will cause an adverse impact on instream beneficial uses or cause a change in the volume or timing of streamflow.

- (B) Notwithstanding subparagraph (A), a conduit hydroelectric facility of 30 megawatts or less that commenced operation before January 1, 2006, is an eligible renewable energy resource. A conduit hydroelectric facility of 30 megawatts or less that commences operation after December 31, 2005, is an eligible renewable energy resource so long as it does not cause an adverse impact on instream beneficial uses or cause a change in the volume or timing of streamflow.
- (C) A facility approved by the governing board of a local publicly owned electric utility prior to June 1, 2010, for procurement to satisfy renewable energy procurement obligations adopted pursuant to former Section 387, shall be certified as an eligible renewable energy resource by the Energy Commission pursuant to this article, if the facility is a "renewable electrical generation facility" as defined in Section 25741 of the Public Resources Code.
- (2) A facility engaged in the combustion of municipal solid waste shall not be considered an eligible renewable energy resource unless it is located in Stanislaus County and was operational prior to September 26, 1996.
- (f) "Procure" means to acquire through ownership or contract.
- (g) "Procurement entity" means any person or corporation authorized by the commission to enter into contracts to procure eligible renewable energy resources on behalf of customers of a retail seller pursuant to subdivision (f) of Section 399.13.
- (h)
 - (1) "Renewable energy credit" means a certificate of proof associated with the generation of electricity from an eligible renewable energy resource, issued through the accounting system established by the Energy Commission pursuant to Section 399.25, that one unit of electricity was generated and delivered by an eligible renewable energy resource.
 - (2) "Renewable energy credit" includes all renewable and environmental attributes associated with the production of electricity from the eligible renewable energy resource, except for an emissions reduction credit issued pursuant to Section 40709 of the Health and Safety Code and any credits or payments associated with the reduction of solid waste and treatment benefits created by the utilization of biomass or biogas fuels.
- (3)

- (A) An electricity generated by an eligible renewable energy resource attributable to the use of nonrenewable fuels, beyond a de minimis quantity used to generate electricity in the same process through which the facility converts renewable fuel to electricity, shall not result in the creation of a renewable energy credit. The Energy Commission shall set the de minimis quantity of nonrenewable fuels for each renewable energy technology at a level of no more than 2 percent of the total quantity of fuel used by the technology to generate electricity. The Energy Commission may adjust the de minimis quantity for an individual facility, up to a maximum of 5 percent, if it finds that all of the following conditions are met:
 - (i) The facility demonstrates that the higher quantity of nonrenewable fuel will lead to an increase in generation from the eligible renewable energy facility that is significantly greater than generation from the nonrenewable fuel alone.
 - (ii) The facility demonstrates that the higher quantity of nonrenewable fuels will reduce the variability of its electrical output in a manner that results in net environmental benefits to the state.
 - (iii) The higher quantity of nonrenewable fuel is limited to either natural gas or hydrogen derived by reformation of a fossil fuel.
- (B) Electricity generated by a small hydroelectric generation facility shall not result in the creation of a renewable energy credit unless the facility meets the requirements of subparagraph (A) of paragraph (1) of subdivision (e).
- (C) Electricity generated by a conduit hydroelectric generation facility shall not result in the creation of a renewable energy credit unless the facility meets the requirements of subparagraph (B) of paragraph (1) of subdivision (e).
- (D) Electricity generated by a facility engaged in the combustion of municipal solid waste shall not result in the creation of a renewable energy credit unless the facility meets the requirements of paragraph (2) of subdivision (e).
- (i) "Renewables portfolio standard" means the specified percentage of electricity generated by eligible renewable energy resources that a retail seller or a local publicly owned electric utility is required to procure pursuant to this article.
- (j) "Retail seller" means an entity engaged in the retail sale of electricity to end-use customers located within the state, including any of the following:
 - (1) An electrical corporation, as defined in Section 218.
 - (2) A community choice aggregator. The commission shall institute a rulemaking to determine the manner in which a community choice aggregator will participate in the renewables portfolio standard program

subject to the same terms and conditions applicable to an electrical corporation.

- (3) An electric service provider, as defined in Section 218.3, for all sales of electricity to customers beginning January 1, 2006. The commission shall institute a rulemaking to determine the manner in which electric service providers will participate in the renewables portfolio standard program. The electric service provider shall be subject to the same terms and conditions applicable to an electrical corporation pursuant to this article. This paragraph does not impair a contract entered into between an electric service provider and a retail customer prior to the suspension of direct access by the commission pursuant to Section 80110 of the Water Code.
- (4) "Retail seller" does not include any of the following:
 - (A) A corporation or person employing cogeneration technology or producing electricity consistent with subdivision (b) of Section 218.
 - (B) The Department of Water Resources acting in its capacity pursuant to Division 27 (commencing with Section 80000) of the Water Code.
 - (C) A local publicly owned electric utility.
- (k) "WECC" means the Western Electricity Coordinating Council of the North American Electric Reliability Corporation, or a successor to either corporation.

SEC. 15. Section 399.13 of the Public Utilities Code is amended and renumbered to read:

399.25. The Energy Commission shall do all of the following:

- (a) Certify eligible renewable energy resources that it determines meet the criteria described in subdivision (e) of Section 399.12.
- (b) Design and implement an accounting system to verify compliance with the renewables portfolio standard by retail sellers and local publicly owned electric utilities, to ensure that electricity generated by an eligible renewable energy resource is counted only once for the purpose of meeting the renewables portfolio standard of this state or any other state, to certify renewable energy credits produced by eligible renewable energy resources, and to verify retail product claims in this state or any other state. In establishing the guidelines governing this accounting system, the Energy Commission shall collect data from electricity market participants that it deems necessary to verify compliance of retail sellers and local publicly owned electric utilities, in accordance with the requirements of this article and the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code). In seeking data from electrical corporations, the Energy Commission shall request data from the commission. The commission shall collect data from electrical corporations and remit the data to the Energy Commission within 90 days of the request.
- (c) Establish a system for tracking and verifying renewable energy credits that, through the use of independently audited data, verifies the generation of electricity associated with each renewable energy credit and protects against multiple counting of the same renewable energy credit. The Energy Commission shall consult with other western states and with the WECC in the development of this system.

- (d) Certify, for purposes of compliance with the renewables portfolio standard requirements by a retail seller, the eligibility of renewable energy credits associated with eligible renewable energy resources procured by a local publicly owned electric utility, if the Energy Commission determines that all of the conditions of Section 399.31 have been met.

SEC. 16. Section 399.13 is added to the Public Utilities Code, to read:

399.13.

(a)

- (1) The commission shall direct each electrical corporation to annually prepare a renewable energy procurement plan that includes the matter in paragraph (5), to satisfy its obligations under the renewables portfolio standard. To the extent feasible, this procurement plan shall be proposed, reviewed, and adopted by the commission as part of, and pursuant to, a general procurement plan process. The commission shall require each electrical corporation to review and update its renewable energy procurement plan as it determines to be necessary.
- (2) Every electrical corporation that owns electrical transmission facilities shall annually prepare, as part of the Federal Energy Regulatory Commission Order 890 process, and submit to the commission, a report identifying any electrical transmission facility, upgrade, or enhancement that is reasonably necessary to achieve the renewables portfolio standard procurement requirements of this article. Each report shall look forward at least five years and, to ensure that adequate investments are made in a timely manner, shall include a preliminary schedule when an application for a certificate of public convenience and necessity will be made, pursuant to Chapter 5 (commencing with Section 1001), for any electrical transmission facility identified as being reasonably necessary to achieve the renewable energy resources procurement requirements of this article. Each electrical corporation that owns electrical transmission facilities shall ensure that project-specific interconnection studies are completed in a timely manner.
- (3) The commission shall direct each retail seller to prepare and submit an annual compliance report that includes all of the following:
 - (A) The current status and progress made during the prior year toward procurement of eligible renewable energy resources as a percentage of retail sales, including, if applicable, the status of any necessary siting and permitting approvals from federal, state, and local agencies for those eligible renewable energy resources procured by the retail seller, and the current status of compliance with the portfolio content requirements of subdivision (c) of Section 399.16, including procurement of eligible renewable energy resources located outside the state and within the WECC and unbundled renewable energy credits.
 - (B) If the retail seller is an electrical corporation, the current status and progress made during the prior year toward construction of, and upgrades to, transmission and distribution facilities and other electrical

system components it owns to interconnect eligible renewable energy resources and to supply the electricity generated by those resources to load, including the status of planning, siting, and permitting transmission facilities by federal, state, and local agencies.

- (C) Recommendations to remove impediments to making progress toward achieving the renewable energy resources procurement requirements established pursuant to this article.
- (4) The commission shall adopt, by rulemaking, all of the following:
 - (A) A process that provides criteria for the rank ordering and selection of least-cost and best-fit eligible renewable energy resources to comply with the California Renewables Portfolio Standard Program obligations on a total cost basis. This process shall take into account all of the following:
 - (i) Estimates of indirect costs associated with needed transmission investments and ongoing electrical corporation expenses resulting from integrating and operating eligible renewable energy resources.
 - (ii) The cost impact of procuring the eligible renewable energy resources on the electrical corporation's electricity portfolio.
 - (iii) The viability of the project to construct and reliably operate the eligible renewable energy resource, including the developer's experience, the feasibility of the technology used to generate electricity, and the risk that the facility will not be built, or that construction will be delayed, with the result that electricity will not be supplied as required by the contract.
 - (iv) Workforce recruitment, training, and retention efforts, including the employment growth associated with the construction and operation of eligible renewable energy resources and goals for recruitment and training of women, minorities, and disabled veterans.
 - (B) Rules permitting retail sellers to accumulate, beginning January 1, 2011, excess procurement in one compliance period to be applied to any subsequent compliance period. The rules shall apply equally to all retail sellers. In determining the quantity of excess procurement for the applicable compliance period, the commission shall deduct from actual procurement quantities, the total amount of procurement associated with contracts of less than 10 years in duration. In no event shall electricity products meeting the portfolio content of paragraph (3) of subdivision (b) of Section 399.16 be counted as excess procurement.
 - (C) Standard terms and conditions to be used by all electrical corporations in contracting for eligible renewable energy resources, including performance requirements for renewable generators. A contract for the

purchase of electricity generated by an eligible renewable energy resource, at a minimum, shall include the renewable energy credits associated with all electricity generation specified under the contract. The standard terms and conditions shall include the requirement that, no later than six months after the commission's approval of an electricity purchase agreement entered into pursuant to this article, the following information about the agreement shall be disclosed by the commission: party names, resource type, project location, and project capacity.

- (D) An appropriate minimum margin of procurement above the minimum procurement level necessary to comply with the renewables portfolio standard to mitigate the risk that renewable projects planned or under contract are delayed or canceled. This paragraph does not preclude an electrical corporation from voluntarily proposing a margin of procurement above the appropriate minimum margin established by the commission.
- (5) Consistent with the goal of increasing California's reliance on eligible renewable energy resources, the renewable energy procurement plan submitted by an electrical corporation shall include all of the following:
 - (A) An assessment of annual or multiyear portfolio supplies and demand to determine the optimal mix of eligible renewable energy resources with deliverability characteristics that may include peaking, dispatchable, baseload, firm, and as-available capacity.
 - (B) Potential compliance delays related to the conditions described in paragraph (4) of subdivision (b) of Section 399.15.
 - (C) A bid solicitation setting forth the need for eligible renewable energy resources of each deliverability characteristic, required online dates, and locational preferences, if any.
 - (D) A status update on the development schedule of all eligible renewable energy resources currently under contract.
 - (E) Consideration of mechanisms for price adjustments associated with the costs of key components for eligible renewable energy resource projects with online dates more than 24 months after the date of contract execution.
 - (F) An assessment of the risk that an eligible renewable energy resource will not be built, or that construction will be delayed, with the result that electricity will not be delivered as required by the contract.
- (6) In soliciting and procuring eligible renewable energy resources, each electrical corporation shall offer contracts of no less than 10 years duration, unless the commission approves of a contract of shorter duration.
- (7) In soliciting and procuring eligible renewable energy resources for California-based projects, each electrical corporation shall give preference to renewable energy projects that provide environmental and economic benefits to communities afflicted with poverty or high unemployment, or that suffer

from high emission levels of toxic air contaminants, criteria air pollutants, and greenhouse gases.

- (b) A retail seller may enter into a combination of long- and short-term contracts for electricity and associated renewable energy credits. The commission may authorize a retail seller to enter into a contract of less than 10 years' duration with an eligible renewable energy resource, if the commission has established, for each retail seller, minimum quantities of eligible renewable energy resources to be procured through contracts of at least 10 years' duration.
- (c) The commission shall review and accept, modify, or reject each electrical corporation's renewable energy resource procurement plan prior to the commencement of renewable energy procurement pursuant to this article by an electrical corporation.
- (d) Unless previously preapproved by the commission, an electrical corporation shall submit a contract for the generation of an eligible renewable energy resource to the commission for review and approval consistent with an approved renewable energy resource procurement plan. If the commission determines that the bid prices are elevated due to a lack of effective competition among the bidders, the commission shall direct the electrical corporation to renegotiate the contracts or conduct a new solicitation.
- (e) If an electrical corporation fails to comply with a commission order adopting a renewable energy resource procurement plan, the commission shall exercise its authority pursuant to Section 2113 to require compliance. The commission shall enforce comparable penalties on any retail seller that is not an electrical corporation that fails to meet the procurement targets established pursuant to Section 399.15.
- (f)
 - (1) The commission may authorize a procurement entity to enter into contracts on behalf of customers of a retail seller for electricity products from eligible renewable energy resources to satisfy the retail seller's renewables portfolio standard procurement requirements. The commission shall not require any person or corporation to act as a procurement entity or require any party to purchase eligible renewable energy resources from a procurement entity.
 - (2) Subject to review and approval by the commission, the procurement entity shall be permitted to recover reasonable administrative and procurement costs through the retail rates of end-use customers that are served by the procurement entity and are directly benefiting from the procurement of eligible renewable energy resources.
- (g) Procurement and administrative costs associated with contracts entered into by an electrical corporation for eligible renewable energy resources pursuant to this article and approved by the commission are reasonable and prudent and shall be recoverable in rates.
- (h) Construction, alteration, demolition, installation, and repair work on an eligible renewable energy resource that receives production incentives pursuant to Section 25742 of the Public Resources Code, including work performed to qualify, receive, or maintain production incentives, are "public works" for the purposes of Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code.

SEC. 17. Section 399.14 of the Public Utilities Code is repealed.

SEC. 18. Section 399.14 is added to the Public Utilities Code, to read:
399.14.

- (a)
 - (1) An electrical corporation, pursuant to Chapter 5 (commencing with Section 1001), and in order to meet its unmet renewables portfolio standard procurement requirements, may apply to the commission for approval to construct, own, and operate an eligible renewable energy resource.
 - (2) If the proposed eligible renewable energy resource complies with the requirements of subdivision (b), the commission shall approve an application filed pursuant to paragraph (1), until the commission has approved applications for eligible renewable energy resources for the electrical corporation that, when constructed and operating, will provide 8.25 percent of the electrical corporation's anticipated retail sales by December 31, 2020, and thereafter.
 - (3) The commission may approve additional applications for eligible renewable energy resources once the commission has approved sufficient applications for eligible renewable energy resources for the electrical corporation that, when constructed and operating, will provide 8.25 percent of the electrical corporation's anticipated retail sales by December 31, 2020, and thereafter.
- (b) The commission shall not approve any application by an electrical corporation pursuant to subdivision (a) unless both of the following conditions are met:
 - (1) The eligible renewable energy resource utilizes a viable technology at a reasonable cost.
 - (2) The eligible renewable energy resource provides comparable or superior value to ratepayers when compared to then recent contracts for generation provided by eligible renewable energy resources.
- (c) In approving any application by an electrical corporation for approval to construct, own, and operate an eligible renewable energy resource, the commission shall apply traditional cost-of-service ratemaking. When applying traditional cost-of-service ratemaking, the commission, in the certificate authorizing the new construction, shall specify the maximum cost determined to be reasonable and prudent for the construction of the facility and the cost of initial operation of the facility. Upon a filing by the electrical corporation, the commission may authorize an increase in the maximum cost of construction if it determines that the cost has in fact increased, that the cost increase is determined to be reasonable and prudent, and that the present or future public convenience or necessity require construction of the project at the increased cost.

SEC. 19. Section 399.15 of the Public Utilities Code is repealed.

SEC. 20. Section 399.15 is added to the Public Utilities Code, to read:

399.15.

- (a) In order to fulfill unmet long-term resource needs, the commission shall establish a renewables portfolio standard requiring all retail sellers to procure a minimum quantity of electricity products from eligible renewable energy resources as a specified percentage of total kilowatthours sold to their retail end-use customers each compliance period to achieve the targets established under this article. For any retail seller procuring at least 14 percent of retail sales from eligible renewable energy resources in 2010, the deficits associated with any previous renewables portfolio standard shall not be added to any procurement requirement pursuant to this article.
- (b) The commission shall implement renewables portfolio standard procurement requirements only as follows:
 - (1) Each retail seller shall procure a minimum quantity of eligible renewable energy resources for each of the following compliance periods:
 - (A) January 1, 2011, to December 31, 2013, inclusive.
 - (B) January 1, 2014, to December 31, 2016, inclusive.
 - (C) January 1, 2017, to December 31, 2020, inclusive.
 - (2)
 - (A) No later than January 1, 2012, the commission shall establish the quantity of electricity products from eligible renewable energy resources to be procured by the retail seller for each compliance period. These quantities shall be established in the same manner for all retail sellers and result in the same percentages used to establish compliance period quantities for all retail sellers.
 - (B) In establishing quantities for the compliance period from January 1, 2011, to December 31, 2013, inclusive, the commission shall require procurement for each retail seller equal to an average of 20 percent of retail sales. For the following compliance periods, the quantities shall reflect reasonable progress in each of the intervening years sufficient to ensure that the procurement of electricity products from eligible renewable energy resources achieves 25 percent of retail sales by December 31, 2016, and 33 percent of retail sales by December 31, 2020. The commission shall require retail sellers to procure not less than 33 percent of retail sales of electricity products from eligible renewable energy resources in all subsequent years.
 - (C) Retail sellers shall be obligated to procure no less than the quantities associated with all intervening years by the end of each compliance period. Retail sellers shall not be required to demonstrate a specific quantity of procurement for any individual intervening year.
 - (3) The commission shall not require the procurement of eligible renewable energy resources in excess of the quantities identified in paragraph (2). A retail seller may voluntarily increase its procurement of eligible renewable energy resources beyond the renewables portfolio standard procurement requirements.

- (4) Only for purposes of establishing the renewables portfolio standard procurement requirements of paragraph (1) and determining the quantities pursuant to paragraph (2), the commission shall include all electricity sold to retail customers by the Department of Water Resources pursuant to Division 27 (commencing with Section 80000) of the Water Code in the calculation of retail sales by an electrical corporation.
- (5) The commission shall waive enforcement of this section if it finds that the retail seller has demonstrated any of the following conditions are beyond the control of the retail seller and will prevent compliance:
 - (A) There is inadequate transmission capacity to allow for sufficient electricity to be delivered from proposed eligible renewable energy resource projects using the current operational protocols of the Independent System Operator. In making its findings relative to the existence of this condition with respect to a retail seller that owns transmission lines, the commission shall consider both of the following:
 - (i) Whether the retail seller has undertaken, in a timely fashion, reasonable measures under its control and consistent with its obligations under local, state, and federal laws and regulations, to develop and construct new transmission lines or upgrades to existing lines intended to transmit electricity generated by eligible renewable energy resources. In determining the reasonableness of a retail seller's actions, the commission shall consider the retail seller's expectations for full-cost recovery for these transmission lines and upgrades.
 - (ii) Whether the retail seller has taken all reasonable operational measures to maximize cost-effective deliveries of electricity from eligible renewable energy resources in advance of transmission availability.
 - (B) Permitting, interconnection, or other circumstances that delay procured eligible renewable energy resource projects, or there is an insufficient supply of eligible renewable energy resources available to the retail seller. In making a finding that this condition prevents timely compliance, the commission shall consider whether the retail seller has done all of the following:
 - (i) Prudently managed portfolio risks, including relying on a sufficient number of viable projects.
 - (ii) Sought to develop one of the following: its own eligible renewable energy resources, transmission to interconnect to eligible renewable energy resources, or energy storage used to integrate eligible renewable energy resources. This clause shall not require an electrical corporation to pursue development of eligible renewable energy resources pursuant to Section 399.14.

- (iii) Procured an appropriate minimum margin of procurement above the minimum procurement level necessary to comply with the renewables portfolio standard to compensate for foreseeable delays or insufficient supply.
 - (iv) Taken reasonable measures, under the control of the retail seller, to procure cost-effective distributed generation and allowable unbundled renewable energy credits.
- (C) Unanticipated curtailment of eligible renewable energy resources necessary to address the needs of a balancing authority.
- (6) If the commission waives the compliance requirements of this section, the commission shall establish additional reporting requirements on the retail seller to demonstrate that all reasonable actions under the control of the retail seller are taken in each of the intervening years sufficient to satisfy future procurement requirements.
- (7) The commission shall not waive enforcement pursuant to this section, unless the retail seller demonstrates that it has taken all reasonable actions under its control, as set forth in paragraph (5), to achieve full compliance.
- (8) If a retail seller fails to procure sufficient eligible renewable energy resources to comply with a procurement requirement pursuant to paragraphs (1) and (2) and fails to obtain an order from the commission waiving enforcement pursuant to paragraph (5), the commission shall exercise its authority pursuant to Section 2113.
- (9) Deficits associated with the compliance period shall not be added to a future compliance period.
- (c) The commission shall establish a limitation for each electrical corporation on the procurement expenditures for all eligible renewable energy resources used to comply with the renewables portfolio standard. In establishing this limitation, the commission shall rely on the following:
 - (1) The most recent renewable energy procurement plan.
 - (2) Procurement expenditures that approximate the expected cost of building, owning, and operating eligible renewable energy resources.
 - (3) The potential that some planned resource additions may be delayed or canceled.
- (d) In developing the limitation pursuant to subdivision (c), the commission shall ensure all of the following:
 - (1) The limitation is set at a level that prevents disproportionate rate impacts.
 - (2) The costs of all procurement credited toward achieving the renewables portfolio standard are counted towards the limitation.
 - (3) Procurement expenditures do not include any indirect expenses, including imbalance energy charges, sale of excess energy, decreased generation from existing resources, transmission upgrades, or the costs associated with relicensing any utility-owned hydroelectric facilities.
- (e)
 - (1) No later than January 1, 2016, the commission shall prepare a report to the Legislature assessing whether each electrical corporation can achieve a 33-

percent renewables portfolio standard by December 31, 2020, and maintain that level thereafter, within the adopted cost limitations. If the commission determines that it is necessary to change the limitation for procurement costs incurred by any electrical corporation after that date, it may propose a revised cap consistent with the criteria in subdivisions (c) and (d). The proposed modifications shall take effect no earlier than January 1, 2017.

- (2) Notwithstanding Section 10231.5 of the Government Code, the requirement for submitting a report imposed under paragraph (1) is inoperative on January 1, 2021.
- (3) A report to be submitted pursuant to paragraph (1) shall be submitted in compliance with Section 9795 of the Government Code.
- (f) If the cost limitation for an electrical corporation is insufficient to support the projected costs of meeting the renewables portfolio standard procurement requirements, the electrical corporation may refrain from entering into new contracts or constructing facilities beyond the quantity that can be procured within the limitation, unless eligible renewable energy resources can be procured without exceeding a de minimis increase in rates, consistent with the long-term procurement plan established for the electrical corporation pursuant to Section 454.5.
- (g)
 - (1) The commission shall monitor the status of the cost limitation for each electrical corporation in order to ensure compliance with this article.
 - (2) If the commission determines that an electrical corporation may exceed its cost limitation prior to achieving the renewables portfolio standard procurement requirements, the commission shall do both of the following within 60 days of making that determination:
 - (A) Investigate and identify the reasons why the electrical corporation may exceed its annual cost limitation.
 - (B) Notify the appropriate policy and fiscal committees of the Legislature that the electrical corporation may exceed its cost limitation, and include the reasons why the electrical corporation may exceed its cost limitation.
- (h) The establishment of a renewables portfolio standard shall not constitute implementation by the commission of the federal Public Utility Regulatory Policies Act of 1978 (Public Law 95-617).

SEC. 21. Section 399.16 of the Public Utilities Code is amended and renumbered to read: 399.21.

- (a) The commission, by rule, shall authorize the use of renewable energy credits to satisfy the renewables portfolio standard procurement requirements established pursuant to this article, subject to the following conditions:
 - (1) Prior to authorizing any renewable energy credit to be used toward satisfying the renewables portfolio standard procurement requirements, the commission and the Energy Commission shall conclude that the tracking system established pursuant to subdivision (c) of Section 399.25, is operational, is capable of independently verifying that electricity earning the credit is

generated by an eligible renewable energy resource, and can ensure that renewable energy credits shall not be double counted by any seller of electricity within the service territory of the WECC.

- (2) Each renewable energy credit shall be counted only once for compliance with the renewables portfolio standard of this state or any other state, or for verifying retail product claims in this state or any other state.
 - (3) All revenues received by an electrical corporation for the sale of a renewable energy credit shall be credited to the benefit of ratepayers.
 - (4) Renewable energy credits shall not be created for electricity generated pursuant to any electricity purchase contract with a retail seller or a local publicly owned electric utility executed before January 1, 2005, unless the contract contains explicit terms and conditions specifying the ownership or disposition of those credits. Procurement under those contracts shall be tracked through the accounting system described in subdivision (b) of Section 399.25 and included in the quantity of eligible renewable energy resources of the purchasing retail seller pursuant to Section 399.15.
 - (5) Renewable energy credits shall not be created for electricity generated under any electricity purchase contract executed after January 1, 2005, pursuant to the federal Public Utility Regulatory Policies Act of 1978 (16 U.S.C. Sec. 2601 et seq.). Procurement under the electricity purchase contracts shall be tracked through the accounting system implemented by the Energy Commission pursuant to subdivision (b) of Section 399.25 and count toward the renewables portfolio standard procurement requirements of the purchasing retail seller.
 - (6) A renewable energy credit shall not be eligible for compliance with a renewables portfolio standard procurement requirement unless it is retired in the tracking system established pursuant to subdivision (c) of Section 399.25 by the retail seller or local publicly owned electric utility within 36 months from the initial date of generation of the associated electricity.
- (b) The commission shall allow an electrical corporation to recover the reasonable costs of purchasing, selling, and administering renewable energy credit contracts in rates.

SEC. 22. Section 399.16 is added to the Public Utilities Code, to read:

399.16.

- (a) Various electricity products from eligible renewable energy resources located within the WECC transmission network service area shall be eligible to comply with the renewables portfolio standard procurement requirements in Section 399.15. These electricity products may be differentiated by their impacts on the operation of the grid in supplying electricity, as well as, meeting the requirements of this article.
- (b) Consistent with the goals of procuring the least-cost and best-fit electricity products from eligible renewable energy resources that meet project viability principles adopted by the commission pursuant to paragraph (4) of subdivision (a) of Section 399.13 and that provide the benefits set forth in Section 399.11, a balanced portfolio of eligible renewable energy resources shall be procured consisting of the following portfolio content categories:

- (1) Eligible renewable energy resource electricity products that meet either of the following criteria:
 - (A) Have a first point of interconnection with a California balancing authority, have a first point of interconnection with distribution facilities used to serve end users within a California balancing authority area, or are scheduled from the eligible renewable energy resource into a California balancing authority without substituting electricity from another source. The use of another source to provide real-time ancillary services required to maintain an hourly or subhourly import schedule into a California balancing authority shall be permitted, but only the fraction of the schedule actually generated by the eligible renewable energy resource shall count toward this portfolio content category.
 - (B) Have an agreement to dynamically transfer electricity to a California balancing authority.
- (2) Firmed and shaped eligible renewable energy resource electricity products providing incremental electricity and scheduled into a California balancing authority.
- (3) Eligible renewable energy resource electricity products, or any fraction of the electricity generated, including unbundled renewable energy credits, that do not qualify under the criteria of paragraph (1) or (2).
- (c) In order to achieve a balanced portfolio, all retail sellers shall meet the following requirements for all procurement credited towards each compliance period:
 - (1) Not less than 50 percent for the compliance period ending December 31, 2013, 65 percent for the compliance period ending December 31, 2016, and 75 percent thereafter of the eligible renewable energy resource electricity products associated with contracts executed after June 1, 2010, shall meet the product content requirements of paragraph (1) of subdivision (b).
 - (2) Not more than 25 percent for the compliance period ending December 31, 2013, 15 percent for the compliance period ending December 31, 2016, and 10 percent thereafter of the eligible renewable energy resource electricity products associated with contracts executed after June 1, 2010, shall meet the product content requirements of paragraph (3) of subdivision (b).
 - (3) Any renewable energy resources contracts executed on or after June 1, 2010, not subject to the limitations of paragraph (1) or (2), shall meet the product content requirements of paragraph (2) of subdivision (b).
- (d) Any contract or ownership agreement originally executed prior to June 1, 2010, shall count in full towards the procurement requirements established pursuant to this article, if all of the following conditions are met:
 - (1) The renewable energy resource was eligible under the rules in place as of the date when the contract was executed.
 - (2) For an electrical corporation, the contract has been approved by the commission, even if that approval occurs after June 1, 2010.

- (3) Any contract amendments or modifications occurring after June 1, 2010, do not increase the nameplate capacity or expected quantities of annual generation, or substitute a different renewable energy resource. The duration of the contract may be extended if the original contract specified a procurement commitment of 15 or more years.
- (e) A retail seller may apply to the commission for a reduction of a procurement content requirement of subdivision (c). The commission may reduce a procurement content requirement of subdivision (c) to the extent the retail seller demonstrates that it cannot comply with that subdivision because of conditions beyond the control of the retail seller as provided in paragraph (5) of subdivision (b) of Section 399.15. The commission shall not, under any circumstance, reduce the obligation specified in paragraph (1) of subdivision (c) below 65 percent for any compliance obligation after December 31, 2016.

SEC. 23. Section 399.17 of the Public Utilities Code is repealed.

SEC. 24. Section 399.17 is added to the Public Utilities Code, to read:

399.17.

- (a)
 - (1) Subject to this section, the requirements of this article apply to an electrical corporation that as of January 1, 2010, had 60,000 or fewer customer accounts in California and met either of the following requirements:
 - (A) Served retail end-use customers outside California.
 - (B) Was located in a control area that is not under the operational balancing authority of the Independent System Operator or other California balancing authority and receives the majority of its electrical requirements from generating facilities located outside of California.
 - (2) This section applies to a successor entity to all or a portion of the service territory of an electrical corporation meeting the requirements of paragraph (1), but only to the extent that the successor entity will have 60,000 or fewer customer accounts in California.
- (b) For an electrical corporation or qualifying successor entity meeting the requirements of subdivision (a), electricity products from eligible renewable energy resources may be used for compliance with the renewables portfolio standard procurement requirements notwithstanding any procurement content limitation in Section 399.16 and an eligible renewable energy resource includes a facility that is located outside California, if the facility is connected to the WECC transmission system, provided all of the following conditions are met:
 - (1) Any portion of the electricity generated by the facility and allocated by the electrical corporation or qualifying successor entity for its California customers, and is not used to fulfill renewable energy procurement requirements in other states.

- (2) The electrical corporation or qualifying successor entity participates in, and complies with, the accounting system administered by the Energy Commission pursuant to subdivision (b) of Section 399.25.
 - (3) The Energy Commission verifies that the electricity generated by the facility is eligible to meet the procurement requirements of this article.
- (c) The commission shall determine the procurement requirements for an electrical corporation or qualifying successor entity meeting the requirements of subdivision (a) as a specified percentage of total kilowatthours sold by the electrical corporation to its retail end-use customers in California in a compliance period.
- (d) An electrical corporation or qualifying successor entity meeting the requirements of subdivision (a) may use an integrated resource plan prepared in compliance with the requirements of another state utility regulatory commission, to fulfill the requirement to prepare a renewable energy procurement plan pursuant to this article, provided the plan meets the requirements of Sections 399.13, 399.14, and 399.25, as modified by this section.
- (e) Procurement and administrative costs associated with long-term contracts for eligible renewable energy resources pursuant to this article entered into by an electrical corporation or qualifying successor entity meeting the requirements of subdivision (a) and approved by the commission, are reasonable and prudent and shall be recoverable in rates of the electrical corporation or its successor's California customers, provided the costs are not recoverable in rates in other states served by the electrical corporation.
- (f) Procurement expenditures for electricity products from eligible renewable energy resources pursuant to this section by an electrical corporation or successor entity meeting the requirements of subdivision (a) shall be subject to a limitation on procurement expenditures established by the commission pursuant to subdivision (c) of Section 399.15.

SEC. 25. Section 399.18 is added to the Public Utilities Code, to read:

399.18.

- (a) This section applies to an electrical corporation that as of January 1, 2010, met either of the following conditions:
 - (1) Served 30,000 or fewer customer accounts in California and had issued at least four solicitations for eligible renewable energy resources prior to June 1, 2010.
 - (2) Had 1,000 or fewer customer accounts in California and was not connected to any transmission system or to the California Independent System Operator.
- (b) For an electrical corporation or its successor, electricity products from eligible renewable energy resources may be used for compliance with this article, notwithstanding any procurement content limitation in Section 399.16, provided that both of the following conditions are met:
 - (1) The electrical corporation or its successor participates in, and complies with, the accounting system administered by the Energy Commission pursuant to subdivision (b) of Section 399.25.

- (2) The Energy Commission verifies that the electricity generated by the facility is eligible to meet the requirements of Section 399.15.

SEC. 26. Section 399.19 is added to the Public Utilities Code, to read:

- 399.19.** The commission, in consultation with the Energy Commission, shall report to the Legislature by January 1 of every even-numbered year on all of the following:
- (a) The progress and status of procurement activities by each retail seller.
 - (b) The status of permitting and siting eligible renewable energy resources and transmission facilities necessary to supply electricity generated to load, including the time taken to permit each eligible renewable energy resource and transmission line or upgrade, explanations of failures to meet permitting milestones, and recommendations for improvements to expedite permitting and siting processes.
 - (c) The projected ability of each electrical corporation to meet the renewables portfolio standard procurement requirements under the cost limitations in subdivision (d) of Section 399.15 and any recommendations for revisions of those cost limitations.
 - (d) Any barriers to, and policy recommendations for, achieving the renewables portfolio standard pursuant to this article.

SEC. 27. Section 399.20 of the Public Utilities Code is amended to read:

- 399.20.**
- (a) It is the policy of this state and the intent of the Legislature to encourage electrical generation from eligible renewable energy resources.
 - (b) As used in this section, "electric generation facility" means an electric generation facility located within the service territory of, and developed to sell electricity to, an electrical corporation that meets all of the following criteria:
 - (1) Has an effective capacity of not more than three megawatts.
 - (2) Is interconnected and operates in parallel with the electrical transmission and distribution grid.
 - (3) Is strategically located and interconnected to the electrical transmission and distribution grid in a manner that optimizes the deliverability of electricity generated at the facility to load centers.
 - (4) Is an eligible renewable energy resource.
 - (c) Every electrical corporation shall file with the commission a standard tariff for electricity purchased from an electric generation facility. The commission may modify or adjust the requirements of this section for any electrical corporation with less than 100,000 service connections, as individual circumstances merit.
 - (d)
 - (1) The tariff shall provide for payment for every kilowatthour of electricity purchased from an electric generation facility for a period of 10, 15, or 20 years, as authorized by the commission. The payment shall be the market price determined by the commission pursuant to paragraph (2) and shall include all current and anticipated environmental compliance costs, including, but not limited to, mitigation of emissions of greenhouse gases and air pollution offsets associated with the operation of new generating facilities

in the local air pollution control or air quality management district where the electric generation facility is located.

- (2) The commission shall establish a methodology to determine the market price of electricity for terms corresponding to the length of contracts with an electric generation facility, in consideration of the following:
 - (A) The long-term market price of electricity for fixed price contracts, determined pursuant to an electrical corporation's general procurement activities as authorized by the commission.
 - (B) The long-term ownership, operating, and fixed-price fuel costs associated with fixed-price electricity from new generating facilities.
 - (C) The value of different electricity products including baseload, peaking, and as-available electricity.
- (3) The commission may adjust the payment rate to reflect the value of every kilowatthour of electricity generated on a time-of-delivery basis.
- (4) The commission shall ensure, with respect to rates and charges, that ratepayers that do not receive service pursuant to the tariff are indifferent to whether a ratepayer with an electric generation facility receives service pursuant to the tariff.
- (e) An electrical corporation shall provide expedited interconnection procedures to an electric generation facility located on a distribution circuit that generates electricity at a time and in a manner so as to offset the peak demand on the distribution circuit, if the electrical corporation determines that the electric generation facility will not adversely affect the distribution grid. The commission shall consider and may establish a value for an electric generation facility located on a distribution circuit that generates electricity at a time and in a manner so as to offset the peak demand on the distribution circuit.
- (f) An electrical corporation shall make the tariff available to the owner or operator of an electric generation facility within the service territory of the electrical corporation, upon request, on a first-come-first-served basis, until the electrical corporation meets its proportionate share of a statewide cap of 750 megawatts cumulative rated generation capacity served under this section and Section 387.6. The proportionate share shall be calculated based on the ratio of the electrical corporation's peak demand compared to the total statewide peak demand.
- (g) The electrical corporation may make the terms of the tariff available to owners and operators of an electric generation facility in the form of a standard contract subject to commission approval.
- (h) Every kilowatthour of electricity purchased from an electric generation facility shall count toward meeting the electrical corporation's renewables portfolio standard annual procurement targets for purposes of paragraph (1) of subdivision (b) of Section 399.15.
- (i) The physical generating capacity of an electric generation facility shall count toward the electrical corporation's resource adequacy requirement for purposes of Section 380.

- (j)
 - (1) The commission shall establish performance standards for any electric generation facility that has a capacity greater than one megawatt to ensure that those facilities are constructed, operated, and maintained to generate the expected annual net production of electricity and do not impact system reliability.
 - (2) The commission may reduce the three megawatt capacity limitation of paragraph (1) of subdivision (b) if the commission finds that a reduced capacity limitation is necessary to maintain system reliability within that electrical corporation's service territory.
- (k)
 - (1) Any owner or operator of an electric generation facility that received ratepayer-funded incentives in accordance with Section 379.6 of this code, or with Section 25782 of the Public Resources Code, and participated in a net metering program pursuant to Sections 2827, 2827.9, and 2827.10 of this code prior to January 1, 2010, shall be eligible for a tariff or standard contract filed by an electrical corporation pursuant to this section.
 - (2) In establishing the tariffs or standard contracts pursuant to this section, the commission shall consider ratepayer-funded incentive payments previously received by the generation facility pursuant to Section 379.6 of this code or Section 25782 of the Public Resources Code. The commission shall require reimbursement of any funds received from these incentive programs to an electric generation facility, in order for that facility to be eligible for a tariff or standard contract filed by an electrical corporation pursuant to this section, unless the commission determines ratepayers have received sufficient value from the incentives provided to the facility based on how long the project has been in operation and the amount of renewable electricity previously generated by the facility.
 - (3) A customer that receives service under a tariff or contract approved by the commission pursuant to this section is not eligible to participate in any net metering program.
- (l) An owner or operator of an electric generation facility electing to receive service under a tariff or contract approved by the commission shall continue to receive service under the tariff or contract until either of the following occurs:
 - (1) The owner or operator of an electric generation facility no longer meets the eligibility requirements for receiving service pursuant to the tariff or contract.
 - (2) The period of service established by the commission pursuant to subdivision (d) is completed.
- (m) Within 10 days of receipt of a request for a tariff pursuant to this section from an owner or operator of an electric generation facility, the electrical corporation that receives the request shall post a copy of the request on its Internet Web site. The information posted on the Internet Web site shall include the name of the city in which the facility is located, but information that is proprietary and confidential, including, but not limited to, address information beyond the name of the city in which the facility is located, shall be redacted.

- (n) An electrical corporation may deny a tariff request pursuant to this section if the electrical corporation makes any of the following findings:
 - (1) The electric generation facility does not meet the requirements of this section.
 - (2) The transmission or distribution grid that would serve as the point of interconnection is inadequate.
 - (3) The electric generation facility does not meet all applicable state and local laws and building standards and utility interconnection requirements.
 - (4) The aggregate of all electric generating facilities on a distribution circuit would adversely impact utility operation and load restoration efforts of the distribution system.
- (o) Upon receiving a notice of denial from an electrical corporation, the owner or operator of the electric generation facility denied a tariff pursuant to this section shall have the right to appeal that decision to the commission.
- (p) In order to ensure the safety and reliability of electric generation facilities, the owner of an electric generation facility receiving a tariff pursuant to this section shall provide an inspection and maintenance report to the electrical corporation at least once every other year. The inspection and maintenance report shall be prepared at the owner's or operator's expense by a California-licensed contractor who is not the owner or operator of the electric generation facility. A California-licensed electrician shall perform the inspection of the electrical portion of the generation facility.
- (q) The contract between the electric generation facility receiving the tariff and the electrical corporation shall contain provisions that ensure that construction of the electric generating facility complies with all applicable state and local laws and building standards, and utility interconnection requirements.
- (r)
 - (1) All construction and installation of facilities of the electrical corporation, including at the point of the output meter or at the transmission or distribution grid, shall be performed only by that electrical corporation.
 - (2) All interconnection facilities installed on the electrical corporation's side of the transfer point for electricity between the electrical corporation and the electrical conductors of the electric generation facility shall be owned, operated, and maintained only by the electrical corporation. The ownership, installation, operation, reading, and testing of revenue metering equipment for electric generating facilities shall only be performed by the electrical corporation.

SEC. 28. Section 399.26 is added to the Public Utilities Code, to read:
399.26.

- (a) In order for the state to meet the requirements of the California Renewables Portfolio Standard Program, substantially increased amounts of electricity generated by eligible renewable energy resources must be integrated with, and interconnected to, the transmission grid that is either owned by, or under the operational control of, the local publicly owned electric utilities and the transmission grid that is under the operational control of the Independent System Operator.

- (b) The Independent System Operator and the balancing authority of each area in California shall do both of the following:
 - (1) Work cooperatively to integrate and interconnect eligible renewable energy resources to the transmission grid by the most efficient means possible with the goal of minimizing the impact and cost of new transmission needed to meet both reliability needs and the renewables portfolio standard procurement requirements.
 - (2) Accomplish the requirements of paragraph (1) in a manner that respects the ownership, business, and dispatch models for transmission facilities owned by electrical corporations, local publicly owned electric utilities, joint powers agencies, and independent transmission companies.
- (c) The Independent System Operator shall seek any approvals from the Federal Energy Regulatory Commission that are necessary to accomplish the goals and requirements of this article.
- (d) In order to maintain electric service reliability and to minimize the construction of fossil fuel electrical generation capacity to support the integration of intermittent renewable electrical generation into the electrical grid, by July 1, 2011, the commission shall determine the effective load carrying capacity of wind and solar energy resources on the California electrical grid. The commission shall use those effective load carrying capacity values in establishing the contribution of wind and solar energy resources toward meeting the resource adequacy requirements established pursuant to Section 380.

SEC. 29. Section 399.30 is added to the Public Utilities Code, to read:
399.30.

- (a) In order to fulfill unmet long-term generation resource needs, each local publicly owned electric utility shall adopt and implement a renewable energy resources procurement plan that requires the utility to procure a minimum quantity of electricity products from eligible renewable energy resources, including renewable energy credits, as a specified percentage of total kilowatthours sold to the utility's retail end-use customers, each compliance period, to achieve the targets of subdivision (c).
- (b) The governing board shall implement procurement targets for a local publicly owned electric utility that require the utility to procure a minimum quantity of eligible renewable energy resources for each of the following compliance periods:
 - (1) January 1, 2011, to December 31, 2013, inclusive.
 - (2) January 1, 2014, to December 31, 2016, inclusive.
 - (3) January 1, 2017, to December 31, 2020, inclusive.
- (c) The governing board of a local publicly owned electric utility shall ensure all of the following:
 - (1) The quantities of eligible renewable energy resources to be procured for the compliance period from January 1, 2011, to December 31, 2013, inclusive, are equal to an average of 20 percent of retail sales.
 - (2) The quantities of eligible renewable energy resources to be procured for all other compliance periods reflect reasonable progress in each of the

intervening years sufficient to ensure that the procurement of electricity products from eligible renewable energy resources achieves 25 percent of retail sales by December 31, 2016, and 33 percent of retail sales by December 31, 2020. The local governing board shall require the local publicly owned utilities to procure not less than 33 percent of retail sales of electricity products from eligible renewable energy resources in all subsequent years.

- (3) A local publicly owned electric utility shall adopt procurement requirements consistent with Section 399.16.
- (d) The governing board of a local publicly owned electric utility may adopt the following measures:
 - (1) Rules permitting the utility to apply excess procurement in one compliance period to subsequent compliance periods in the same manner as allowed for retail sellers pursuant to Section 399.13.
 - (2) Conditions that allow for delaying timely compliance consistent with subdivision (b) of Section 399.15.
 - (3) Cost limitations for procurement expenditures consistent with subdivision (c) of Section 399.15.
- (e) The governing board of the local publicly owned electric utility shall adopt a program for the enforcement of this article on or before January 1, 2012. The program shall be adopted at a publicly noticed meeting offering all interested parties an opportunity to comment. Not less than 30 days' notice shall be given to the public of any meeting held for purposes of adopting the program. Not less than 10 days' notice shall be given to the public before any meeting is held to make a substantive change to the program.
- (f)
 - (1) Each local publicly owned electric utility shall annually post notice, in accordance with Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code, whenever its governing body will deliberate in public on its renewable energy resources procurement plan.
 - (2) Contemporaneous with the posting of the notice of a public meeting to consider the renewable energy resources procurement plan, the local publicly owned electric utility shall notify the Energy Commission of the date, time, and location of the meeting in order to enable the Energy Commission to post the information on its Internet Web site. This requirement is satisfied if the local publicly owned electric utility provides the uniform resource locator (URL) that links to this information.
 - (3) Upon distribution to its governing body of information related to its renewable energy resources procurement status and future plans, for its consideration at a noticed public meeting, the local publicly owned electric utility shall make that information available to the public and shall provide the Energy Commission with an electronic copy of the documents for posting on the Energy Commission's Internet Web site. This requirement is satisfied if the local publicly owned electric utility provides the uniform resource

locator (URL) that links to the documents or information regarding other manners of access to the documents.

- (g) A local publicly owned electric utility shall annually submit to the Energy Commission documentation regarding eligible renewable energy resources procurement contracts that it executed during the prior year, as follows:
 - (1) A description of the eligible renewable energy resource, including the duration of the contract or electricity purchase agreement.
 - (2) A description and identification of the electrical generating facility providing the eligible renewable energy resource under the contract.
 - (3) An estimate of the percentage increase in the utility's total retail sales of electricity from eligible renewable energy resources that will result from the contract.
- (h) A public utility district that receives all of its electricity pursuant to a preference right adopted and authorized by the United States Congress pursuant to Section 4 of the Trinity River Division Act of August 12, 1955 (Public Law 84-386) shall be in compliance with the renewable energy procurement requirements of this article.
- (i) For a local publicly owned electric utility that was in existence on or before January 1, 2009, that provides retail electric service to 15,000 or fewer customer accounts in California, and is interconnected to a balancing authority located outside this state but within the WECC, an eligible renewable energy resource includes a facility that is located outside California that is connected to the WECC transmission system, if all of the following conditions are met:
 - (1) The electricity generated by the facility is procured by the local publicly owned electric utility, is delivered to the balancing authority area in which the local publicly owned electric utility is located, and is not used to fulfill renewable energy procurement requirements of other states.
 - (2) The local publicly owned electric utility participates in, and complies with, the accounting system administered by the Energy Commission pursuant to this article.
 - (3) The Energy Commission verifies that the electricity generated by the facility is eligible to meet the renewables portfolio standard procurement requirements.
- (j) Notwithstanding subdivision (a), for a local publicly owned electric utility that is a joint powers authority of districts established pursuant to state law on or before January 1, 2005, that furnish electric services other than to residential customers, and is formed pursuant to the Irrigation District Law (Division 11 (commencing with Section 20500) of the Water Code), the percentage of total kilowatthours sold to the district's retail end-use customers, upon which the renewables portfolio standard procurement requirements in subdivision (b) are calculated, shall be based on the authority's average retail sales over the previous seven years. If the authority has not furnished electric service for seven years, then the calculation shall be based on average retail sales over the number of completed years during which the authority has provided electric service.
- (k) A local publicly owned electric utility in a city and county that only receives greater than 67 percent of its electricity sources from hydroelectric generation located within

the state that it owns and operates, and that does not meet the definition of a "renewable electrical generation facility" pursuant to Section 25741 of the Public Resources Code, shall be required to procure eligible renewable energy resources, including renewable energy credits, to meet only the electricity demands unsatisfied by its hydroelectric generation in any given year, in order to satisfy its renewable energy procurement requirements.

- (l) Each local publicly owned electric utility shall report, on an annual basis, to its customers and to the Energy Commission, all of the following:
 - (1) Expenditures of public goods funds collected pursuant to Section 385 for eligible renewable energy resource development. Reports shall contain a description of programs, expenditures, and expected or actual results.
 - (2) The resource mix used to serve its customers by energy source.
 - (3) The utility's status in implementing a renewables portfolio standard pursuant to subdivision (a) and the utility's progress toward attaining the standard following implementation.
- (m) A local publicly owned electric utility shall retain discretion over both of the following:
 - (1) The mix of eligible renewable energy resources procured by the utility and those additional generation resources procured by the utility for purposes of ensuring resource adequacy and reliability.
 - (2) The reasonable costs incurred by the utility for eligible renewable energy resources owned by the utility.
- (n) On or before July 1, 2011, the Energy Commission shall adopt regulations specifying procedures for enforcement of this article. The regulations shall include a public process under which the Energy Commission may issue a notice of violation and correction against a local publicly owned electric utility for failure to comply with this article, and for referral of violations to the State Air Resources Board for penalties pursuant to subdivision (o).
- (o)
 - (1) Upon a determination by the Energy Commission that a local publicly owned electric utility has failed to comply with this article, the Energy Commission shall refer the failure to comply with this article to the State Air Resources Board, which may impose penalties to enforce this article consistent with Part 6 (commencing with Section 38580) of Division 25.5 of the Health and Safety Code. Any penalties imposed shall be comparable to those adopted by the commission for noncompliance by retail sellers.
 - (2) If Division 25.5 (commencing with Section 38500) of the Health and Safety Code is suspended or repealed, the State Air Resources Board may take action to enforce this article on local publicly owned electric utilities consistent with Section 41513 of the Health and Safety Code, and impose penalties on a local publicly owned electric utility consistent with Article 3 (commencing with Section 42400) of Chapter 4 of Part 4 of, and Chapter 1.5 (commencing with Section 43025) of Part 5 of, Division 26 of the Health and Safety Code.

- (3) For the purpose of this subdivision, this section is an emissions reduction measure pursuant to Section 38580 of the Health and Safety Code.
- (4) If the State Air Resources Board has imposed a penalty upon a local publicly owned electric utility for the utility's failure to comply with this article, the State Air Resources Board shall not impose an additional penalty for the same infraction, or the same failure to comply, with any renewables procurement requirement imposed upon the utility pursuant to the California Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38500) of the Health and Safety Code).
- (5) Any penalties collected by the State Air Resources Board pursuant to this article shall be deposited in the Air Pollution Control Fund and, upon appropriation by the Legislature, shall be expended for reducing emissions of air pollution or greenhouse gases within the same geographic area as the local publicly owned electric utility.
- (p) The commission has no authority or jurisdiction to enforce any of the requirements of this article on a local publicly owned electric utility.

SEC. 30. Section 399.31 is added to the Public Utilities Code, to read:

399.31. A retail seller may procure renewable energy credits associated with deliveries of electricity by an eligible renewable energy resource to a local publicly owned electric utility, for purposes of compliance with the renewables portfolio standard requirements, if both of the following conditions are met:

- (a) The local publicly owned electric utility has adopted and implemented a renewable energy resources procurement plan that complies with the renewables portfolio standard adopted pursuant to Section 399.30.
- (b) The local publicly owned electric utility is procuring sufficient eligible renewable energy resources to satisfy the target standard, and will not fail to satisfy the target standard in the event that the renewable energy credit is sold to the retail seller.

SEC. 31. Section 454.5 of the Public Utilities Code is amended to read:

454.5.

- (a) The commission shall specify the allocation of electricity, including quantity, characteristics, and duration of electricity delivery, that the Department of Water Resources shall provide under its power purchase agreements to the customers of each electrical corporation, which shall be reflected in the electrical corporation's proposed procurement plan. Each electrical corporation shall file a proposed procurement plan with the commission not later than 60 days after the commission specifies the allocation of electricity. The proposed procurement plan shall specify the date that the electrical corporation intends to resume procurement of electricity for its retail customers, consistent with its obligation to serve. After the commission's adoption of a procurement plan, the commission shall allow not less than 60 days before the electrical corporation resumes procurement pursuant to this section.
- (b) An electrical corporation's proposed procurement plan shall include, but not be limited to, all of the following:

- (1) An assessment of the price risk associated with the electrical corporation's portfolio, including any utility-retained generation, existing power purchase and exchange contracts, and proposed contracts or purchases under which an electrical corporation will procure electricity, electricity demand reductions, and electricity-related products and the remaining open position to be served by spot market transactions.
- (2) A definition of each electricity product, electricity-related product, and procurement related financial product, including support and justification for the product type and amount to be procured under the plan.
- (3) The duration of the plan.
- (4) The duration, timing, and range of quantities of each product to be procured.
- (5) A competitive procurement process under which the electrical corporation may request bids for procurement-related services, including the format and criteria of that procurement process.
- (6) An incentive mechanism, if any incentive mechanism is proposed, including the type of transactions to be covered by that mechanism, their respective procurement benchmarks, and other parameters needed to determine the sharing of risks and benefits.
- (7) The upfront standards and criteria by which the acceptability and eligibility for rate recovery of a proposed procurement transaction will be known by the electrical corporation prior to execution of the transaction. This shall include an expedited approval process for the commission's review of proposed contracts and subsequent approval or rejection thereof. The electrical corporation shall propose alternative procurement choices in the event a contract is rejected.
- (8) Procedures for updating the procurement plan.
- (9) A showing that the procurement plan will achieve the following:
 - (A) The electrical corporation, in order to fulfill its unmet resource needs, shall procure resources from eligible renewable energy resources in an amount sufficient to meet its procurement requirements pursuant to the California Renewables Portfolio Standard Program (Article 16 (commencing with Section 399.11) of Chapter 2.3).
 - (B) The electrical corporation shall create or maintain a diversified procurement portfolio consisting of both short-term and long-term electricity and electricity-related and demand reduction products.
 - (C) The electrical corporation shall first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible.
- (10) The electrical corporation's risk management policy, strategy, and practices, including specific measures of price stability.
- (11) A plan to achieve appropriate increases in diversity of ownership and diversity of fuel supply of nonutility electrical generation.
- (12) A mechanism for recovery of reasonable administrative costs related to procurement in the generation component of rates.

- (c) The commission shall review and accept, modify, or reject each electrical corporation's procurement plan. The commission's review shall consider each electrical corporation's individual procurement situation, and shall give strong consideration to that situation in determining which one or more of the features set forth in this subdivision shall apply to that electrical corporation. A procurement plan approved by the commission shall contain one or more of the following features, provided that the commission may not approve a feature or mechanism for an electrical corporation if it finds that the feature or mechanism would impair the restoration of an electrical corporation's creditworthiness or would lead to a deterioration of an electrical corporation's creditworthiness:
- (1) A competitive procurement process under which the electrical corporation may request bids for procurement-related services. The commission shall specify the format of that procurement process, as well as criteria to ensure that the auction process is open and adequately subscribed. Any purchases made in compliance with the commission-authorized process shall be recovered in the generation component of rates.
 - (2) An incentive mechanism that establishes a procurement benchmark or benchmarks and authorizes the electrical corporation to procure from the market, subject to comparing the electrical corporation's performance to the commission-authorized benchmark or benchmarks. The incentive mechanism shall be clear, achievable, and contain quantifiable objectives and standards. The incentive mechanism shall contain balanced risk and reward incentives that limit the risk and reward of an electrical corporation.
 - (3) Upfront achievable standards and criteria by which the acceptability and eligibility for rate recovery of a proposed procurement transaction will be known by the electrical corporation prior to the execution of the bilateral contract for the transaction. The commission shall provide for expedited review and either approve or reject the individual contracts submitted by the electrical corporation to ensure compliance with its procurement plan. To the extent the commission rejects a proposed contract pursuant to this criteria, the commission shall designate alternative procurement choices obtained in the procurement plan that will be recoverable for ratemaking purposes.
- (d) A procurement plan approved by the commission shall accomplish each of the following objectives:
- (1) Enable the electrical corporation to fulfill its obligation to serve its customers at just and reasonable rates.
 - (2) Eliminate the need for after-the-fact reasonableness reviews of an electrical corporation's actions in compliance with an approved procurement plan, including resulting electricity procurement contracts, practices, and related expenses. However, the commission may establish a regulatory process to verify and ensure that each contract was administered in accordance with the terms of the contract, and contract disputes that may arise are reasonably resolved.
 - (3) Ensure timely recovery of prospective procurement costs incurred pursuant to an approved procurement plan. The commission shall establish rates based

on forecasts of procurement costs adopted by the commission, actual procurement costs incurred, or combination thereof, as determined by the commission. The commission shall establish power procurement balancing accounts to track the differences between recorded revenues and costs incurred pursuant to an approved procurement plan. The commission shall review the power procurement balancing accounts, not less than semiannually, and shall adjust rates or order refunds, as necessary, to promptly amortize a balancing account, according to a schedule determined by the commission. Until January 1, 2006, the commission shall ensure that any overcollection or undercollection in the power procurement balancing account does not exceed 5 percent of the electrical corporation's actual recorded generation revenues for the prior calendar year excluding revenues collected for the Department of Water Resources. The commission shall determine the schedule for amortizing the overcollection or undercollection in the balancing account to ensure that the 5 percent threshold is not exceeded. After January 1, 2006, this adjustment shall occur when deemed appropriate by the commission consistent with the objectives of this section.

- (4) Moderate the price risk associated with serving its retail customers, including the price risk embedded in its long-term supply contracts, by authorizing an electrical corporation to enter into financial and other electricity-related product contracts.
- (5) Provide for just and reasonable rates, with an appropriate balancing of price stability and price level in the electrical corporation's procurement plan.
- (e) The commission shall provide for the periodic review and prospective modification of an electrical corporation's procurement plan.
- (f) The commission may engage an independent consultant or advisory service to evaluate risk management and strategy. The reasonable costs of any consultant or advisory service is a reimbursable expense and eligible for funding pursuant to Section 631.
- (g) The commission shall adopt appropriate procedures to ensure the confidentiality of any market sensitive information submitted in an electrical corporation's proposed procurement plan or resulting from or related to its approved procurement plan, including, but not limited to, proposed or executed power purchase agreements, data request responses, or consultant reports, or any combination, provided that the Office of Ratepayer Advocates and other consumer groups that are nonmarket participants shall be provided access to this information under confidentiality procedures authorized by the commission.
- (h) Nothing in this section alters, modifies, or amends the commission's oversight of affiliate transactions under its rules and decisions or the commission's existing authority to investigate and penalize an electrical corporation's alleged fraudulent activities, or to disallow costs incurred as a result of gross incompetence, fraud, abuse, or similar grounds. Nothing in this section expands, modifies, or limits the State Energy Resources Conservation and Development Commission's existing authority and responsibilities as set forth in Sections 25216, 25216.5, and 25323 of the Public Resources Code.

- (i) An electrical corporation that serves less than 500,000 electric retail customers within the state may file with the commission a request for exemption from this section, which the commission shall grant upon a showing of good cause.
- (j)
 - (1) Prior to its approval pursuant to Section 851 of any divestiture of generation assets owned by an electrical corporation on or after the date of enactment of the act adding this section, the commission shall determine the impact of the proposed divestiture on the electrical corporation's procurement rates and shall approve a divestiture only to the extent it finds, taking into account the effect of the divestiture on procurement rates, that the divestiture is in the public interest and will result in net ratepayer benefits.
 - (2) Any electrical corporation's procurement necessitated as a result of the divestiture of generation assets on or after the effective date of the act adding this subdivision shall be subject to the mechanisms and procedures set forth in this section only if its actual cost is less than the recent historical cost of the divested generation assets.
 - (3) Notwithstanding paragraph (2), the commission may deem proposed procurement eligible to use the procedures in this section upon its approval of asset divestiture pursuant to Section 851.

SEC. 32. Article 11 (commencing with Section 910) is added to Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, to read:

Article 11. Reports

910.

- (a) By February 1 of each year, the commission shall prepare and submit to the policy and fiscal committees of the Legislature a written report summarizing the following information:
 - (1) All electrical corporation revenue requirement increases associated with meeting the renewables portfolio standard, as defined in Section 399.12, including direct procurement costs for eligible renewable energy resources and renewable energy credits, administrative expenses for procurement, expenses incurred to ensure a reliable supply of electricity, and expenses for upgrades to the electrical transmission and distribution grid necessary to the delivery of electricity from eligible renewable energy resources to load.
 - (2) All cost savings experienced, or costs avoided, by electrical corporations as a result of meeting the renewables portfolio standard.
 - (3) All costs incurred by electrical corporations for incentives for distributed and renewable generation, including the self-generation incentive program, the California Solar Initiative, and net energy metering.
 - (4) All cost savings experienced, or costs avoided, by electrical corporations as a result of incentives for distributed and renewable generation.
 - (5) All renewable, fossil fuel, and nuclear procurement costs, research, study, or pilot program costs, or other program costs for which an electrical corporation is seeking recovery in rates, that is pending determination or approval by the commission.

- (6) The decision number for each decision of the commission of recovery in rates of costs incurred by an electrical corporation since the preceding report.
- (7) Any change in the electrical load serviced by an electrical corporation since the preceding report.
- (8) The efforts each electrical corporation is taking to recruit and train employees to ensure an adequately trained and available workforce, including the number of new employees hired by the electrical corporation for purposes of implementing the requirements of Article 16 (commencing with Section 399.11) of Chapter 2.3, the goals adopted by the electrical corporation for increasing women, minority, and disabled veterans trained or hired for purposes of implementing the requirements of Article 16 (commencing with Section 399.11) of Chapter 2.3, and, to the extent information is available, the number of new employees hired and the number of women, minority, and disabled veterans trained or hired by persons or corporations owning or operating eligible renewable energy resources under contract with an electrical corporation. This paragraph does not provide the commission with authority to engage in, regulate, or expand its authority to include, workforce recruitment or training.
- (b) The commission may combine the information required by this section with the reports prepared pursuant to Article 16 (commencing with Section 399.11) of Chapter 2.3.

SEC. 33. Section 1005.1 is added to the Public Utilities Code, to read:

1005.1.

- (a) The commission shall issue a decision on an application for a certificate within 18 months of the date of filing of the completed application, when all of the following are true:
 - (1) The application is for a certificate for building or upgrading an electrical transmission line that the commission finds necessary to provide transmission to load centers for electricity generated in a high priority renewable energy zone or is reasonably necessary to facilitate achievement of the renewables portfolio standard established in Article 16 (commencing with Section 399.11) of Chapter 2.3.
 - (2) The commission has considered all of the following:
 - (A) The utilization of rights-of-way by upgrading existing transmission facilities instead of building new transmission facilities, where technically and economically justifiable.
 - (B) The expansion of existing rights-of-way, if technically and economically feasible, when construction of new transmission lines is required.
 - (C) The creation of new rights-of-way when justified by environmental, technical, and economic reasons.
 - (D) The availability of cost-effective alternatives to transmission, such as energy efficiency measures and distributed generation.
 - (3) The commission has not expressly found any of the following:

- (A) That the investment is not reasonable and necessary to maintain or enhance reliability of the transmission grid.
 - (B) That the building or upgrading of the electrical transmission line will not maintain or enhance efficient use of the transmission grid.
 - (C) That the transmission line fails to meet other applicable standards and requirements for approval and construction.
- (b) An extension of time may be granted by the commission if it finds the extension is necessary for completion of review pursuant to the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

SEC. 34. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act or because costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 35. The sum of three hundred twenty-two thousand dollars (\$322,000) is hereby appropriated from the Public Utilities Commission Utilities Reimbursement Account to the Public Utilities Commission for additional staffing to identify, review, and approve transmission lines reasonably necessary or appropriate to facilitate achievement of the renewables portfolio standard established in Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code.